



Office efficiency

lapanese get their standing orders



Telecommunications in Business



New Zealand

Exports put the bounce back

FINANCIAL TIMES

Eastman Kodak plans to spin off its chemicals unit

Eastman Kodak, the US photographics products company, plans to spin off its Eastman chemicals business by the end of 1993 as a separate, publicly quoted company with some \$4bn in annual sales.
The move follows shareholder pressure for Kodak
to improva its financial performance. Page 15



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Kenneth Clarke, Britain's new chancellor of the exchequer, sought to define his economi policy by underlining his commitment to growth as well as to low inflation. In an anxiously awaited speech to the City of London, Mr Clarke said Britain could

not rely on recovery alone to cut its £50bn (\$77bn) annual budget deficit, but would also have to act tough on public spending. Page 14 and Lex; Editorial Comment, Page 13

Scuffles in Japanese parliament: Fighting broke out in parliament as senior members of Japan's ruling Liberal Democratic party argued over the merits of reforming the political system. Page 14; Bankruptcy rates fall, Page 4

Murdoch takes HK media stake: Rupert Murdoch's News Corporation is to pay HK\$1.85hn (\$240m) for a 22 per cent stake in Television Broadcasts, one of Hong Kong's two domestic television companies, Page 15

US inflation slows: US consumer prices rose 0.1 per cent last month and by 3.2 per cent in the year to May, providing further evidence that inflationary pressures are moderating. Page 6

Saudi oil merger: Saudi Arabia is to merge Samarec, its oil refining and marketing arm, with Saudi Aramco, its oil production company, to create the world's largest oil concern. Page 15

Kravchuk seeks to bolster power: Ukraine's president Leonid Kravchuk called for a referendum on the country's constitutional structure and early parliamentary elections. Page 3

Rothschild Bank, Zurich affiliate of NM Rothschild of London, has made provisions of SFr270.9m (\$187m) against bad loans in the past two years, more than previously estimated. Page 15 Times to close Dundee plant: Times is to close its electronics plant in Dundee, Scotland,

after unions rejected an offer to reinstate the sacked workforce on lower wages. Page 14 National Semiconductor. US chipmaker

which last year restructured its global operations, reported record sales and earnings for 1992-93, lifted by a strong fourth quarter. Page 17

SPD backs telecoms sell-off: Germany's opposition Social Democrats will support the government's plan to privatise Deutsche Telekom, the state-owned telecoms monopoly. Page 2

Call for scrapping of Nigeria poli: The party running second in Nigeria's presidential election called for the results to be cancelled because of "rigging". Mosbood Abiola, the business tycoon, appeared to heading for victory. Page 4

Fokker launches regional Jet: Fokker, Dutch aircraft manufacturer 51 per cent owned by Deutsche Aerospace, began production of its 79-seat regional jet, having won \$400m worth of orders from Indonesia. Page 5

Cambodia rebel takes refuge: Prince Norodom Chakrapong, leader of a five-day-old Cambodian secessionist movement, took refuge in Vietnam. Page 4

Malawi opposition claims victory: Malawi opposition groups claimed victory in a referendum over the one-party rule of President Kamuzu Banda and demanded he be replaced by a coalition government of national unity. Page 4

Recall of Brezimev era leader: Azerbaijan's Brezhnev era KGB and communist party chief, Heidar Aliyev, was elected chairman of the former Soviet republic's parliament. Page 3

Aideed may stand trial: Somali warlord, General Mohammed Farah Aideed, will be hrought to trial if an inquiry confirms allegations that he ordered the amhush that led to the death of 23 Pakistani peacekeepers, the UN said. Page 4

James Hunt dies: James Hunt, Britain's world formula one motor racing champion in 1976, died after a heart attack at his home in Wimbledon. south London. He was 45.

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Davignon attacks EC 'timidity' on unemployment

Industrialist calls for US-style labour flexibility to meet import competition

By Lionel Barber in Brussels

VISCOUNT Etienne Davignon, one of Europe's most powerful industrialists, has launched a scathing attack on EC political leaders. He accuses them of being too timid to deal with the unemployment crisis.

Mr Davignon said in an interview with the Financial Times that European industry should consider adopting American-style lahonr market flexibility to strengthen manufacturing against competition from Asia and the US.

Mr Jacques Delors, president of the European Commission, will make a personal presentation on the EC's failure to create new jobs at the EC summit in Copenhagen on Monday. Mr Delors is said to be ready to

tackle the sensitive issue of whether Europe's welfare state is indirectly contributing to low growth, but reluctant to disavow the Maastricht treaty's social

Mr Davignon, a senior member of the European Commission in the early 1980s and now chair-man of Société Générale de Belgique, the biggest holding company in Belgium, said bs was worried about industry polarising along free-market and protectionist lines in the EC.

instead, it was necessary to adopt a new approach to job creation, with more short-time working and flexible hiring and greater attention to fosteriog small businesses.

"This is a very tough message." he said, "but if you look at his-tory in the US, the jobs and growth have not come from large companies like General Motors, IBM and Exxon

Behind Mr Davignon's intervention lies a fear among Euro-

Editorial

pean industrialists about political drift inside the EC and the risks of a social explosion caused by low growth, rising unemployment and a crisis of business con-

"You see it in our companies," he said. "If you want \$300m for lay-offs and restructuring, you get approval in 15 seconds. But if you go out and buy something. your share price goes down."

According to Mr Davignon, Europe's leaders, as well as the European Commission, have failed to respond properly to two historic shocks: German unification and the collapse of the Soviet empire. Instead, they have applied a philosophy of "husiness as usual" He added: "It is a conspiracy of

silence, but it is not deliberate. It Since his days as industry comoner in Brussels, when be helped to restructure the Euro-

pean steel industry, Mr Davignon has been an activist par excel-He argued that EC leaders' munism was flawed and "totally lacking in imagination". By treating the former communist countries as market economies, the EC was allowing cheap imports to destroy jobs in the west.

anti-dumping duties were merely destroying jobs in the east and deterring foreign investment, he said. His tentative proposal was to negotiate quotas with fixed prices, so as not to disrupt west ern markets.

The EC's approval of aid to make nuclear reactors safe was dismally slow, Mr Davignon said. One more Chernobyl and you can forget the nuclear industry in western Europe."

On Europe's exchange rate mechanism, Mr Davignon argues that the two official inquiries into last September's ERM crisis by the EC's monetary committee and the EC committee of central hank governors were a white-

Mr Davignon is pressing the Commission to launch a campaign to argue the merits of a single European currency in terms of medium-term economic stability and the need to preserve the single European market.

Senior EC officials agree with Mr Davignon that political leaders need a new initiative to restore credibility to the Emi enterprise. A short-term step would be to agree on the site of the European Monetary Institute, the precursor of a European cen-



near Gorazde, eastern Bosnia. Fighting continued in the area after

Bosnia leaders meet

International mediators for former Yugoslavia today meet leaders of Bosnia's warring factions in Geneva in the increasingly desperate search for political solutions to end the violence. Lord Owen, for the European Community, and Mr Thorvald Stoltenherg, for the United Nations, said yesterday they expected the meetings to pave the way for a reconvened inter-

national conference on the for-

mer Yugoslavia wbich would

assemble the participants in last August's London conference.

President Siobodan Milosevic of Serbla, Croatian President Franjo Tudjman. President Momir Bulatovic of Montenegro and Mr Alija Izethegovic, the Bosnian president, will meet together with the mediators.

Lord Owen said yesterday it was clear there would have to be "adjustments" to the Vance-Owen peace plan. An overall halt to bostilities depends on an overall political bargain, he said.

Fresh effort to restart talks,

S Africa talks in chaos as Inkatha walks out

SOUTH AFRICA'S constitutional negotiations were thrown into crisis last night after the mainly Zulu Inkatha Freedom party and its allies walked out of the talks. The rightwing Conservative

party and the governments of several conservative black homelands also walked out, leaving only the South African govern-ment and the African National Congress plus their allies, participating in the talks. Delegates said they would consult their principals over whether to withdraw permanently from the 26party constitutional negotlating

ANC and government officials made clear that talks would proreed without the dissident group, which calls itself the Coocerned South Africans Group, but the legitimacy of a constitution writ-ten only hy the ANC and government would be jeopardised.

Mr Cyril Ramaphosa, the ANC's chief delegate, accused the group of blackmail, "We regret the move to walk out of the negotiating chamber . . . they embarked on a very disruptive and unconstructive way of han-dling matters," he told a news conference."

The move appeared to be an attempt by Chief Mangosuthu Buthelezi, the linkatha leader, to test his strength within the negotiations, as well as to determine whether the government would back him or the ANC in a dispute. The government made clear it would risk isolating Chief Buthelezl and his allies rather than impede progress in negotia-

lnkatha, which has significant support in Natal province, where a quarter of the population lives, could seriously disrupt any elections held under a new constitu-

ANC and government officials blamed lukatha for deliberately stalling progress in the talks and seeking to prevent confirmation of April 27 1994 as the date for the first multiracial elections They said efforts would be made

Continued on Page 14

HJ Heinz cuts jobs worldwide in move to reduce costs

By Nikki Tait in New York

HJ HEINZ, the US food group, vesterday announced a range of cost-cutting moves, involving an 8 per cent reduction in its worldwide workforce of 35,500 and a cut in its UK operations.

The company will take a \$192m pre-tax charge against fourthquarter earnings, to pay for the shake-up.

Heinz's chairman, Mr Tony O'Reilly, claimed the latest restructuring charge would help Halnz speed up productivity improvements, and concentrate a three-year rationalisation programme into 12 months. Analysts, however, saw the action as further evidence of the pressures which the intensely competitive retail sector is putting on the hig consumer product companies.

"All the food companies are responding to the pressure by accelerating this sort of restructuring," commented Mr Les Pugh at Salomon Brothers in New York, noting that the anticipated operational efficiencies were not expected to hring much additional earnings growth.

Specific changes include: shifts In manufacturing capacity between Canada and the US; a reduction in operations in the United Kingdom, Italy, and in the Ore Ida division; a cut of about 30 per cent, or 240 jobs, at a plant south of Melhourne, Australia; the consolidation of all the North American sales service functions in one Pittsburgh-based oparation; and a merging of the US

Continued on Page 14

Conflicts emerge between Italian investigators

By Robert Graham in Rome

ITALIAN MAGISTRATES investigating corruption yester-day held a bastily convened summit in Rome to head off a squabhle over conflicting responsihilities for inquiries.
The main conflicts have

emerged between Milan and Rome magistrates, but magistrates from Bologna, Naples and Venice also attended the meet-ing. A later statement referred to "frank and loyal" discussions, hinting at some tough talking.

The magistrates were reported to be unable to reach agreement on responsibility for the three most important investigations in dispute. These cover dealings behind the parcelling out of tele-vision channels between the state and the private sector, telecommunications contracts and the operations of the Ministry of Posts. An appeal court will probably have to establish investiga-

ting responsibility. There was only partial agreement on the probe into construc-tion of the Rome metro.

Unless resolved quickly the disputes threaten to undermine the investigations as well as infringe the rights of those accused. "These meetings are necessary even if it would have been better

to have held them earlier," said

Mr Giorgio Castellucci, the Rome attorney-general. As the 16-month-old investiga tion into corruption and illicit financing of political parties evolves, the cases are becoming increasingly intertwined. Normally magistrates establish competence over a case if they initiate the investigation and it then

graphic area. But the same names are cropping up in differ-ent places as the inquiries spread

through italy.

This has led to people being interrogated by different sets of magistrates or, in the case of Mr Giuseppe Ciarrapico, the Rome financier, of being released from custody in Rome to be summoned

Bank of Naples chief under investigationPage 2

to Milan the next day. Milan magistrates - a more

homogeneous group with better technological back-up and less subject to political pressure have set the pace from the start. Matters came to a head on Monday when Rome magistrates advised three senior politicians including Mr Giorgio La Malfa, the former Republican leader that they were under investiga-tion for alleged corruption relat-ing to telecommunications con-

notice from Milan. Rome magistrates also appeared to ignore a deal cut in April between the management of Fiat and Milan magistrates.

tracts and the award of television

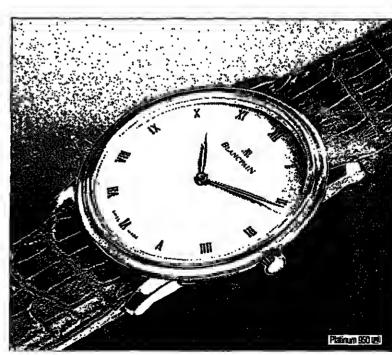
frequencies. Mr La Malfa claimed

he had already received similar

Mr Ugo Mootevecchi, former chief executive of Fiat Engineering, had already voluntarily appeared before Milan magistrates and been questioned for 10 hours. In spite of this Rome magistrates ordered his arrest on Monday for the alleged payment of bribes relating to culture ministry contracts.

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COMPANIES & MARKETS

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INSIDE

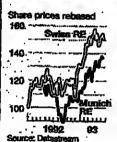
Analysts angry at Fondiaria rights issue

insurance analysts have disapproved of Monday right's announcement of a L1,058bn (\$724.16m) rights Issue by Fondiaria, Italy's third biggest private-sector insurer. The insurer reported 1992 group losses of L578bn. Page 16

Sharper focus at FKI

FKI, the electrical engineering group, which has seen its shares values almost triple in the last 18 months, yesterday confirmed it was making progress in improving proffability and restructuring the business. Pre-tax profits increased from £20.68m to £38.05m (\$58.2m) in the year to March 31 in spite of £5.4m of reorganisation costs. Page 22

Reinsurers await bull run



The last time reinsurance rates rose significantly, the share prices of Munich Re and Swiss Re, the world's first and second biggest reinsurance companies, doubled relative to their local stockmarkets and tripled in absolute terms. With the reinsurance marcet in a similar state today, reinsurers could be embarked on a similar bull run. Back Page

Italian borrowing back on track Italy could be poised to issue one of the world's biggest global dollar bonds as borrowing gets back on track after political upsets and debt downgrad-

Nissan still feels the pain

ings earlier this year. Page 20



Nissan caused a stir as the first Japanese carmaker since the second world war to announce a plant closure but the pain is not yet over. Mr Yoshifumi Tsuji, Nissan's president, said the restructuring plan did not take account of the blow to export earnings of the yen's steep rise, and Nissan's options now include price rises and another round of cost cutting. Page 18

Flotation for Dairy Crest

Dairy Crest, the milk and dairy products arm of ths UK's Milk Marketing Board, has confirmed its plan to float early next year. Dairy farmers could hold around 70 per cent of the share capital. Page 21

Cap on gold price rises

A widening range of derivative products brought an estimated 86 tonnes of gold on to the market last year. Ms Jessica Jacks, an economist with RTZ, said that while this was not a huge amount, it was enough to cap any price railies, especially in the short term. Page 28

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Watts Blake Beams

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Wights Shakes
Finding
Archer (AJ)
Cable & Wire

terday at 414p, down 8p on the

by some City analysts yesterday nes were starting to improve. director, denied that the rights posals, partly designed to reduce slower pace. MEPC has sold

make the rights issues was taken after the Board became couvinced market prospects were

The company said there was evidence beginning to emerge in certain areas of the UK of new demand from occupiers. This, coupled with evidence of institutions returning to invest in property, provides the potential for a return to growth."

The Co-operative Insurance Society, which owns 16.7 per cent of the company, is taking up its full entitlement as are MEPC's directors. The balance has been underwritten by Morgan Grenfell.

The company predicted the dividend would be maintained at 14.75p (net) for the year to end-Lex, Page 14

Kodak to spin off its chemicals arm

By Martin Dickson in New York

EASTMAN Kodak, the US photographics products company, yes-terday announced plans to spin off its Eastman chemicals business by the end of 1993 as a separate, publicly-quoted company with \$4bn in annual sales.

The move follows shareholder pressure for Kodak to improve its lacklustre financial performance, and comes a month after Mr Kay Whitmore, chairman, said the group would make a large asset divestiture this year.

He said yesterday that the spin-off was one element of a new

By Simon Holberton

MR RUPERT Murdoch yesterday

signalled his intention to become

a force in Asian broadcasting

with the announcement that his News Corporation is to pay

HK\$1.85bn (£156m) for a 22 per

cent interest in Television Broad-

casts (TVB), one of Hong Kong's

two domestic television compa-

nies and a leading producer of

News Corporation will acquire 11 per cent of TVB from each of

the company's two controlling shareholders - Sir Run Run

Shaw and Malaysian tycoon Mr

On completion of the deal, which needs Hong Kong govern-

ment approval, Sir Run Run will

have 23 per cent of TVB and Mr

Mr Murdoch said the three-way

partnership in TVB "will create

the premier Asian company

engaged in terrestrial and satel-

lite television broadcasting". Sir

Run Run said the addition of

News Corp's expertise in interna-

tional programming and satellite broadcasting to TVB's record of

success in Chinese language pro-gramming "paves the way for the

future growth and expansion of

By Mark Nicholson in Cairo and

SAUDI ARABIA is to merge its

two main oil companies creating the largest integrated oil concern

in the world, the kingdom said

late on Monday. Samarec, the kingdom's refining and market-

ing arm, will be merged into oil

production company, Saudi

"It will give the company more energy to look at expanding out-

side Saudi Arabia and compete

head-on with the oil majors. Its

potential power as a joint com-pany is profound," said Mr Robin West, who runs Petroleum

Finance Company, an anergy

Saudi Arahia is looking to

consulting group in Washington.

expand its downstream outlets for oil through deals in Europe

and Asia as well as continuing to

expand its production capacity

beyond 10m barrels a day. The company's drive to become involved in the industry world-

wide will put it into direct com-

petition with multinstional oli

companies such as Royal Dutch/

Aramco is already the world's

largest exporter with current out-

put of 8m b/d and current production capacity of 9m h/d. The company is also custodian of the

Deborah Hargreaves in London

Chinese language movies.

Robert Kuck.

Kuok 21 per cent.

in Hong Kong

plan for Kodak which the company would unveil fully in Sep-

The spin-off will involve a prorata distribution to Kodak share-holders of stock in the indepen-dent business, which will be called Eastman Chemical Company and will seek a listing on the New York Stock Exchange. Kodak will retain no equity. Eastman, founded in 1920 to

supply chemicals to Kodak's photographic operations, has grown into the 10th largest US chemicals company, ranked by revenues, with sales to Kodak less than 8 per cent of the total.

It makes about 400 industrial and speciality products and has particularly atrong positions in PET plastic bottle resins and filters for the tobacco industry. Earnings from operations last year totalled \$494m. Wall Street analysts have long

urged Kodak to dispose of Eastman, which accounts for approximately 20 per cent of group revenues, to allow Kodsk to concentrate on its core photographic operations and other consumer-oriented businesses.

Mr Whitmore said the spin-off would create two stronger companies, with the management of

News Corp pays HK\$1.85bn for 22 per cent of Hong Kong television company

Kodak shares, which rose on Monday in anticipation of yester-day's announcement, dipped \$\% to \$53\% at lunchtime in New

York. Spin-offs have become particularly popular over the past two years among restructuring US

Mr Whitmore said Kodak had chosen the method rather than a sale to an industrial buyer because the chemicals cycle was in a down phase and this would allow Eastman shareholders to participate in any upturn.

deht from Kodak's balance sheet. hut Mr Whitmore said this would not change the group's debt-to-capital ratio. Moody's, the credit rating agency, said it had placed Kodak's \$7bn of long-term debt under reviaw for a possible

Mr Whitmore said that the company was still reviewing in its other, non-photographic businesses for possible operational changes, spin-offs, sales and clo-

It would say more about its strategy and growth prospects in

rise in provisions

By lan Rodger in Zurich

ROTHSCHILD Bank, troubled Zurich affiliate of NM Rothschild of London, has made provisions of SFr270.9m (\$187m) against bad loans in the past two years, substantially more than previously estimated.

Rothschild

Bank sees

Mr Guy Wais, general manager, said yesterday that an investigation by Coopers & Lybrand, the accountants, following the discovery of lending irregularities early last year led to the increase in provisions from the previously stated figure

Most of the lending was to the collapsed York Hannover and Castor property groups, and it infringed Swiss law restricting the amount a bank can lend to a

The bank has maintained that the lending was arranged by its former credit manager, Mr Jürg Heer, and that he concealed the details from other bank directors. It has accused Mr Heer, who has admitted receiving commissions of some SFr30m on the lending, of frand and other offenses. Mr Heer has since fled Switzerland and an international warrant has been issued for his

The Swiss Federal Banking Commission and the Swiss Bankers Association are investigating the apparent fallures of the bank's internal and external control systems. Bnt Mr Wais said yestarday that financially "Heer's file" was now closed.

The bank's 1992-93 annual report reveals changes in its financial structure. Total assets halved from SFr1.34bn at March 31, 1992 to only SFr622.4m a year later. Mr Wais said this reflected a deliberate running down of its lending book in addi-

tion to the write-offs.

Shareholder's equity has risen from SFr198.7m to SFr206.1m, reflecting an injection hy s Rothschild family company SFr120.5m in new capital. This was achieved by its purchase of s part of the bad loans at face value. The injection also made it possible for the bank to show a net income last year of SFr12.8m compared with SFr24.5m the pre-vious year. The annual dividend was cut from SFr10m to SFr5.5m.

Sir Evelyn de Rothschild, chairman, said operating profits, which were down only SFr2.5m to SFr57.1m, were "good" and the bank's balance eheet was "extremely sound".

Murdoch enters Asian broadcasting



Rupert Murdoch said the partnership 'will create the premier Asian company engaged in terrestrial and satellite television broadcasting'

deal on a visit to Hong Kong last sion already sells US movies on print media interest in the week, has made no secret of his the Chinese mainland and earlier region. Through the South China

kingdom's 295hn harrels of

Samarec will bring to the

merger 1.23m b/d refining capac-

ity from three wholly-owned and

three joint venture refineries in

Saudi Arabia. This will take the

joint company into all stages of the oil industry: production. refining, transport and market-

Saudi officials said the merger came at the request of Mr His-ham Nazer, the oil minister, who

has been looking to streamline

the nation's oil industry for some

time. Mr Nazer set up Samarec in

1988 to rationalise management of the country's praviously

No details have been given of

any possible management restructuring in Aramco, nor of

the fate of Samarec's present

managers. The decision came as

a surprise to all but the most

senior managers in both compa-nies, according to some senior

Before the move Samarec (Saudi Arabian marketing and

refining company) ran the country's three domestic refineries at Jeddah, Riyadh and Yanbu and

was the Saudi partner in joint

venture export refineries with

Mobil at Yanbu and Shell at

autonomous refineries.

Aramco staff.

two main oil companies

proven oil reserves

Mr Murdoch, who sealed the especially in China. Fox Televi-deal on a visit to Hong Kong last sion already sells US movies on print media interest in the

These interests, along with Samarec's share of an additional

joint venture refinery at Rabigh,

part owned by Mr John Latsis, the Greek investor, will move

under the umbrella of Aramco. Saudi Aramco already runs the

Ras Tanura refinery - the world's biggest with capacity of

520,000 h/d until a fire in 1990 cut

But while Samarec managed

Saudi Arabia's main domestic

and export refineries, Aramco

has over the past two years been

increasingly developing its own

downstream interests overseas

through joint venture refining

Ssangyong Oil Refining Company

in South Korean group and Nip-pon Oil, with which Aramco has

signed a preliminary agreement

The newly augmented Saudi Aramco will continue a \$10bn-

\$1500 expansion plan, accelerated since the end of the Gulf war in 1991, which is set to raise Saudi oil production capacity to s

sustainable 10m h/d by next year

from present levels of around 9m

b/d. Samarec was also proceeding with an \$8bn programme to upgrade and expand all its

domestic and joint venture refi-

neries, with the exception of

to refine oil in Japan.

output to around 290,000 h/d.

wish to participate in Asia's this year Mr Murdoch visited Bel- Morning Post he has acquired a tainment Sports Programming growing hroadcasting industry, jing for talks with Chinese lead- Chinese language newspaper in Network, Australian Broadcast-Hong Kong and a 15 per cent interest in the Bangkok Post. Thalland's leading English language daily. Underlining his ambition to publish on the Chi-Saudi Arabia to merge its nese mainland, he has also reg-

istered the masthead "North China Morning Post". Over the past year Mr Murdoch has had talks with Mr Li Kashing's Star Television about equity participation in the satellite network, hut they proved

fruitless. TVB recently entered into an agreement with Turner Broad-

casting, Home Box Office, Enter-

ing Corp and Discovery Channel to lease satellite space on Palapa, an Indonesian-owned satellite. TVB will supply Chinese language programming for one

channel. Unlike Star, which broadcasts five "free-to-air" satel-lite channels, the TVB consor-tium will transmit encoded programming for subscribers only. Analysts viewed Mr Murdoch's purchase of 22 per cent of TVB as

only the beginning Mr Murdoch is seen as the likely huyer of Sir Run Run's shareholding should he decide to reduce his holding

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MEPC in £221.9m rights issue

By Vanessa Houlder, Property Correspondent

Shell and Exxon.

MRPC, the UK's second largest property company, yesterday announced a £221.9m (\$341m) rights issue, bringing the total raised by property companies in the equity market this year to more than £1bn.

The announcement, two weeks after MEPC's interim results, is likely to complete the recent round of fund raising by the

UK's largest property companies. MEPC is taking advantage of a sharp increase in its share price, which will allow it to issue new shares without greatly diluting its assets. The shares rose from 190p last September to close yes-

day. The proceeds of the one-forfive rights issue, which is priced

at 350p per share, will be partly used to refurbish and redevelop property within its portfolio. MEPC said the issue would also allow it to make selective property or corporate acquisitions as

opportunities arose. The money will initially be put on deposit, which will reduce MEPC'a gearing from about 80 per cent to 60 per cent. The rights issue was criticised

for reducing the company's gearing at a time when property val-But Mr James Tuckey, managing issue was a degearing exercise. The group's programme of disborrowings, would proceed at a

£159m of property since the end

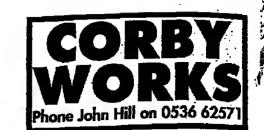
of the last financial year.

Mr Tuckey said the decision to



FINANCIAL TIMES

Wednesday June 16 1993



UK Chancellor stresses growth and low inflation | LDP men

Clarke backs commerce and standards of living

By Peter Norman, Economics Editor

MR KENNETH CLARKE put his stamp on UK economic policy last night by identifying himself with commerce and saying he wanted to be remembered "as a chancellor under whom the British businessman and woman and their workforce were able to earn

In an anxiously awaited speech to the City of London, the new chancellor of the exchequer made no changes of substance to eco-

But, setting a new tons, he emphasised that his goal was to raise living etandards, and he stressed the importance of growth as well as low inflation.

Observing that "we cannot rely on recovery alone to bring borrowing back towards balance", he made clear that be would take a tough line on public spending and would not shrink from further measures to reduce Britain's £50bn (\$77bn) annual budget defi-

He recalled that the govern-

ment had already taken steps to reduce the deficit by controlling spending and increasing tax revenue. "But if I judge that further action is necessary, I shall not hesitate to take it," he added. Speaking after news of a fur-

Manufacturing growth fastest since May 1989 Editoriai CommentPage 13

ther strengthening of manufacturing output and steady growth in retail sales, Mr Clarke gave a moderately upbeat assessment of

Britain was more fortunate than many of its European Com-munity neighbours, he said. While signs of recovery wsre "mixed and in some cases muted", he said "the momentum for growth is clearly there".

Mr Clarke set three objectives for economic policy that could have been taken from any recent speech of his predecessor, Mr Norman Lamont. He promised: To keep inflation in its target bringing it within the lower half of the range by the end of the

To restore the public finances to better health and towards balance "over the medium term". • To sustain the recovery and

ensure that it lasts. Those aims were given a spe-cial spin that reflected his life "in the industrial Midlands", where, he said, "I have acquired a deep and abiding respect for all those engaged in the difficult business of commerce."

"It is commerce alone which generates the prosperity which enables government to raise the living standards and hopes of all the British people," he said. "That is the key principle which will guide my hand as chancel-

In giving a broad outline of pol-icy, Mr Clarke referred to himself as a "pro-European", but made clear that "it would be quite some time" before it would he right for the UK to return to the European exchange rate mecha-

party meeting convened. It decided not to make a decision on political reform, passing the responsibility to Mr Klichi Miyazawa, the prime minister, and four other party elders.

the current multi-seat constituencies, which are prone to manipu-lation by party factions, should be replaced by a single-seat sys-tem, by proportional representation, or by a cocktail of the two. Tougher controls are also proposed for political funding.

Mr Miyazawa, who has dele-

But the previously favoured tactic of putting reform on permanent hold may not work, as the Social Democratic party of Japan, the largest opposition party, has promised to launch a no-confidence motion against the

Mr Miyazawa has said he will all an election if the LDP loses the vote, and the SDPJ said yesterday: "We are not afraid of an election." Suddenly the prime minister, who hoped to have his prestige untarnished by remaining above the fray, may have to

Bankruptcy rate falls, Page

HJ Heinz to reduce costs and cut jobs

Continued from Page 1

administrative back-up for Heinz Pet Products and Starkist, the tuna business.

The charge meant that operating profits in the final three months of Heinz's financial year to April 28, fell to \$54.8m, compared with \$230.5m a year ago, on sales of \$2.03bn (up from \$1.87bn). For the full year, operating profits were down from \$1.11bn to \$860.9m, with sales rising from \$6.58bp to \$7.1bp.

The cost-cutting will be spread across Heinz operations worldwide and, although the company declined to put a firm figure on the potential job iosses, could prune the workforce by up to 3,000. At the end of its 1992 financial year, Heinz had 35,500

The fourth-quarter operating

profit of \$54.8m translated into an after-tax surplus of \$69.7m, compared with \$145.7m a year ago. For the 12 mouths, the Heinz net profits stood at \$396.3m, after a \$133.6m charge for the adoption of the new accounting standard

Timex Dundee plant to close by year-end

By James Buxton and Lisa Wood

TIMEX yesterday abandoned its fight to preserve its electronics plant in Dundee, Scotland and announced that it would close by

The decision followed the rejection by local union leaders of the company's offer to reinstate the sacked workforce on lower wages and conditions, it provoked a furious reaction among union leaders and UK opposition politi-

Mr Mohammed Saleh, Timex's US vice-president for human resources, said the plant's financial position had become "impossible to sustain". He laid the blame squarely on the iocal unions, saying: "They did everything possible not to help us keep that plant going."

Mr Saleh announced the com-pany's decision after a final twohour meeting with local officials of the AEEU engineers union and two conveners of the sacked workforce in a last attempt to settle the 20-week dispute which strong workforce after a strike.

began when Timex sacked its 343-

negotiated by national AEEU officlals under which the sacked workers would be affered their jobs back subject to tests of suitability and the imposition of a 9.8 per cent pay cut, with a reduc-

tion in fringe benefits. Closure of the plant, which was set up in 1946 and now assembles printed circuit boards, marks the failure of long-term efforts by UK Timex to make it profitable. Mr Saleh said Timex had lost £10m

It also indicates the failure of Timex's attempt to keep the plant going with the substitute workforce hired after it sacked the original employees in February. The 260-strong replacement workforce had to be bussed into the plant past the picket line.

Timex now wants to go to the UK conciliation service Acas to negotiate an orderly rundown and the proposal will be put by unions to a mass meeting on Thursday. But union leaders in Dandee have said they will not

Yesterday Mr John Kydd, district organiser for the AEEU, said: "I am absolutely sure in my own mind Timex engineered the

scuffle in Japan's corridors of power

SENIOR members of Japan'a ruling Liberal Democratic party, who claim to be wrestling with their consciences over political reform, yesterday grappled physi-cally with each other in an unscheduled bout in Japan's cor-

ridors of power.

In one corner were the reformers, frustrated by the LDP's reluctance to change a scandal-prone political system, and in the other were officials who have prospered from the present sys-tem and fear that change would threaten their political privileges.

The two sides confronted each other outside the party room in the Japanese parliament (Diet), and within range of the television cameras, giving Japanese viewers a ringside seat and providing them with vivid documentary evidence of the urgent need for political reform.

After pushing, shoving, head-locks and half-nelsons, the LDP

gated all responsibility in the issue, is now confronted by the need to make a clear statement either deferring reform or extending the present parliamentary session. His colleague, Mr Seiroku Kajiyama, the LDP's sec-retary-general and head-counter, has suggested that the debate be delayed for at least two years.

government before the parlia-mentary session ends on Sunday.

Under normal circumstances. the LDP would easily have the numbers to defeat such a motion. But a pro-reform LDP faction headed by Mr Tsutomu Hata, the former finance minister, claimed to have enough support yester day to tip the balance against Mr Miyazawa by abstaining from the

on post-retirement benefits. The 1991-2 figure came to a total of At the meeting, the employees reiterated their rejection of terms

Continued from Page 1

to persuade Inkatha to return to the talks, but this would depend on the reaction of the irascible and unpredictable Chief Buthe-

Europe today

High pressure will influence southern and central Europe with sunshine over all of Spain and Italy. The temperatures will rise to 25C-28C, but the north coast of Spain, some clouds and a cool sea breeze will keep the temperatures around 23C. Over the British isles and the low countries, a low pressure front will cause cloudiness and outbreaks of

but later in the northwest, it will turn cloudy

it will be sunny and quite warm. Turkey,

afternoon thursder showers. Five-day forecast

Greece, Romania and the Ukraine will see

Thursday, the atomsphere will become more

ttled over western Europe. In the British Isles and the low countries, it will be dry with sunny periods. In southern Scandinavia, low isure will cause outbreaks of rain. In Spain

northern Spain, afternoon showers will

and this showery rain will slowly spread east

on Saturday. In Spain, France and the low

countries, much warmer air will arrive by the

Inkatha walks out of S Africa talks Yesterday's dispute centred on the form of a future South African state, whether federal or unitary, as well as whether its constitution should be written by an elected constituent assembly. Inkatha was enraged when yes-

terday's talks rejected its resolution calling on the negotiating body to consider making South Africa a federal state, Inkatha delegates said this could provoke Chief Buthelezi to make their withdrawal permanent.

FT WORLD WEATHER rain. The maximum temperature will slowly rise towards 16C-20C. France will see sunny spells with patchy drizzle. At the French Cote d'Azur, and Italy, it will remain sunny, but on Friday, in develop. In Ireland, it will become rainy Friday

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THE LEX COLUMN

Clarke's full agenda

The City knew before last night that Mr Kenneth Clarke is a man of consid-erable political skill. That skill was again in evidence in his Mansion House speech, with its rallying call to business and its emphasis on growth as well as fiscal and monetary rectitude. What remains unclear is whether Mr Clarke also has the special qualities required of a chancellor. The speech was short on detail and left policy options open. It left his audience guessing about the true importance attached to the exchange rate as an indicator. Mr Clarke was tantalisingly vague about the extent to which further fiscal tightening will be

To be fair, he was unlikely to box himself so soon. The new chancellor may also want to avoid undermining confidence in the recovery by parad ing his hair shirt, if he was wearing one underneath the white-tie and tails. But at some stage he will have to face the fact that, without a further attack on the PSBR in this autumn's budget, the twin objective of growth with low inflation could well be lost.

For the time being, the City will have to take it on trust that action will be taken. Thus far, the government's funding programme has pro-ceeded relatively smoothly, but only because real yields are high and gilts are trading at an attractive 130 basis point premium to German bunds. At least Mr Clarke showed he is aware of the cost of borrowing at 8 per cent when inflation is well below two. If the government really means to keep price rises that low, it is getting a very bad deal indeed.

MEPC

Another week, another rights issue from a property company, MEPC is the last of the big seven to take advantage of the sector's recent surge to raise fresh funds. Its £222m cash call brings the total raised in the sector to more than £1bn this year. But although MEPC has asked for the most money, it arguably has the weakest story to tell and may also suffer from being last in the queue. It is difficult to escape the conclusion that It is raising too much, too late.

About half the cash will be used sprucing up MEPC's existing portfolio, which was beginning to fray at the edges. The rest has been loosely earmarked for property or corporate acquisitions. That is faintly unnerving, given the company's proclivity for rearing white elephants in the 1980s.

FT-SE Index: 2870.0 (-15.5)

MEPC

Share price relative to FT-A All-Share index

Source: FT Graphite



Shareholders must hope it has learned

from the recession. The broader worry is that MEPC's attractions may pall as investors become more discriminating after the first flush of property spring. The company boasts neither the cast-iron balance sheet of a Land Securities, nor tha entrepreneurial spirit of a British Land, nor even the international spread of a Hammerson MEPC may have crudely calculated that its greatest appeal lay in its fat dividend yield. But securing the resources to pay a dividend is the worst reason of all for launching a rights issue.

Manweb

Manweb has done much that a good ntility management should it cut costs in the first two years after privatisation and looked overseas for examples of best practice. Its investment in a flexible database of customers will allow selling of other services. It has avoided allowing the Trojan horse of other electricity companies' retailing operations into its patch via joint ventures. It has also stuck to its knitting and will only expand gradually through natural extentions to its business. Indeed, it is no small irony that those utility managements best able to cope with the difficulties of diversification are those which have had the sense to avoid it.

Yet the company cannot hide its embarrassment of riches. Cash flow is strong, gearing is down to 6 per cent, dividend cover is 3.3 times and Manweb is not even using the full elbow room allowed by its price cap. Admittedly the company was blessed with a generous price cap on the mistaken

hit the north hardest. But the regional electricity companies are over-capital-ised, and progressive dividend policies will hardly make a dent in balance sheets. There may be brownie points for companies prepared to risk the wrath of the regulator and return the excess equity to shareholders. Otherwise customers, the government, or owners of acquired firms will walk off with the money.

Ciba

Anyone hoping for the disclosure of big hidden reserves to arise from Ciba'e transition to international accounting standards will be disap pointed by yesterday's figures. Since earnings per share work out 18 per cent higher under the new rules, though, there is little cause for com-

The switch from current cost to his torical cost valuations alone adds SFr350m to profits, due to lower depreciation. That is at the expense of lower fixed asset values, but the balance sheet has not been shrunk substantially by the exercise. Investors valuing Ciba on the basis of assets per share will find little to alter their opin ion. Those who prefer to look at earn ings will be encouraged by the change

Wessex Water

Wessex has a habit of increasing its dividend faster than its rivals. While its unregulated waste business is turning in decent profits - in contrast to others in the sector - such generosity will not worry the regulator, If landfill prices continue to harden, the joint venture with Waste Management International might yet deliver an operating margin of 20 per cent on turnover of £100m this year. Since Wessex is one of the minnows of the sector, that alone would be useful protection against the threat of tougher egulation to come.

It is less clear that Wessex's water business is especially well piaced going into next year's regulatory review. Holding operating costs steady for the second year, with the promise of the same this year, looks impressive. But all water companies face a trade-off between operating costs and capital spending. Without more information, the extent of genuine efficiencies is difficult to judge. Ofwat will doubtless want to sort the wheat from the chaff before setting price limits for the second half of the decade.

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FINANCIAL TIMES

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Banking on Mr Clarke

THE LORD MAYOR'S guests were treated to two very different, but equally important, apeeches at last night's Bankers' and Merchants' dinner at the City's Guildhall. Top of the bill was Mr Kenneth Clarke, promising much but revealing little on his first public outing as chancellor of the exchequer. But it was the valedictory address of Mr Robin Leigh-Pemberton, reflecting on the lessons of his 10 years as governor of the Bank of England, which will have unsettled tha stomachs of the City

Mr Clarke's performance, the first "Mansion House" speech to be accompanied by June strawberries rather than October apple pie, was that of the consummate politician rather than the economist or financier. He pleased his immediate audience hy stressing the importance his government attaches to maintaining low inflation and returning the public finances to order. But Mr Clarke also played to the wider gallery, emphasising his Midlands roots, his knowledge of industry and commerce while placing a new emphasis upon economic growth and higher living standards.

No changes

bank

ig goes of

in history

But Mr Clarke mixes political cunning with his populism. His speech contained no hostages to fortune. indeed, it contained almost nnthing of substance to exercise the minds and computers of listening City analysts.

On monetary policy, the chan-cellor announced no changes to the framework his predecessor announced last antumn. He confirmed the government's target range for underlying inflation of 1-4 per cent and intends to monitor a broad range of indicators. But how does businesses' desire for a competitive and stable exchange rate fit into this picture?

No target on display. On fiscal policy, the chancellor aims to "restore the public finances to better health and back towards balance over tha medium term". Growth alone, he said, would not do the trick. But does this require more discretionary measures announced in the Budget? And will this mean further tax increases or spending cuts? No

As for the mix of monetary and fiscal policy that the chancellor thinks can deliver sustainable growth without running into trade difficulties, the subject was not addressed. Is the exchange rate sufficiently competitive? If inflation starts to pick up, will the chancellor allow the exchange rate to rise or instead tighten fiscal policy to choke off demand? How can the British economy. dogged by the twin Budget and trade deficits, possibly deliver sustainable growth and higher real wages for those in work? No discussion provided.

Inflation trap

Yet it was Mr Leigh-Pemberton who sent chills down his andience's collective spine. "We now have low inflation combined with economic recovery, and this offers the prospect of sustained improvement for the first time in many years," he said, quoting from his own first Mansion House speech delivered in October 1983. "The sad fact that I could use exactly the same words today reflects the principal failure of policy in the intervening period - that we did not keep inflation under control."

The Bank, the governor said, has learnt from this failure, "The new policy framework which was put in place after our departure from the ERM is one which will not only, I believe, prove success ful and workable in the UK, but is also being applied in other countries," But with one exception: the Bank of England, in contrast with its European partners, remains the servant of the executive rather than of parliament, Nor is the Bank's status likely to change, despite Mr Leigh-Pemberton'a advice. The chancellor has made it plain that independence for the bank is not on his own agenda, although his speech suggested he is content to let others go on

debating the matter. Yet it is the repeated willingness of successive British governments, making promises just like Mr Clarke's, which have won alections by delivering higher living standards to those in work today at the expense of higher inflation the future. This is the prime cause of Britain's repeated boomhust cycles. Mr Clarke's most important task is to show that he knows how to avoid this trap.

Let the eastern exports roll

A TIME of recession and high unemployment is an unpropitious one to seek to persuade EC gov-ernments to liberalise trade with their neighbours to the east of the Community. If, however, the EC'a proclamations about belging central and eastern Europe are to be anything more than lip service, a rapid relaxation of trade restric-

tions is essential. To countries now released from communism's grip, the Community needs to extend the stability and prosperity that it has so successfully nurtured in the west of the continent. Fulfilling this task is in the EC's eminent self-interest. Yet unless the Community provides adequate access for

exports from the east, the region's passage into the world of capitalism will be unnecessarily arduous. At the least, setbacks in eastern Europe would deprive EC companies of growth in markets which otherwise can be expected to show lucrative expansion during the next decade. At the worst, should the transition in eastern Europe seriously falter, this could extend far more widely the disruption and chaos already seen in the former territories of the Soviet Union and Yugoslavia

EC Commission proposals on trade with eastern Europe will be near the top of the agenda at next week's Copenhagen summit. Foreign ministers have already agreed the main points of a plan to accelerate dismantling of barriers for imports of industrial goods, although France and Portugal have succeeded in diluting some parts of the deal.

Starting point

If they are wise, EC leaders will take tha proposals simply as a starting point. The Commission'a package retains strong elements of protectionism for goods like steel, textiles and food - precisely the sectors where eastern Europe is most competitive. The common agricultural policy is a substantial hindrance to free trade in farm products. But the EC must pledge to eliminate the remaining hurdles at the earliest possible date. This would match eastern European countries' separate commitment to reshape their economic structures as part of preparations for eventual EC membership.

As the region takes painful against this possibility.

adjustment measures, it needs to be offered a just reward. The EC's provisions for anti-dumping measures against steel imports, for instance, will be unnecessary as the region, as planned, improves transparency of pricing hy bringing in EC-style competition law.

Increased sales from eastern Europe in sectors suffering from over-capacity like steel, textiles and fertilisers can accentuate strains on EC enterprises and their workforces. It can also damage EC companies' positions on third markets. But making eastern Europe the scapegoat for general structural and cyclical problems in individual industries is hardly

Tiny proportion

Imports from the east make up a tiny proportion of the EC's trade. Lest year, the EC's combined total of purchases from Bulgaria, the Czech and Slovak republics, Hungary, Poland and Romania made up only 1.6 per cent per cent of EC countries' overall import hill. The EC imported more from both Austria (1.9 per cent) and Sweden (2.1 per cent).

Since 1988, eastern Europe's gross domestic product has fallen by roughly 20 per cent. Even with the effects of the recession, the EC's GDP this year, by contrast, will be around 8 per cent higher than five years ago. Since the fall of the Berlin Wall, eastern coun-tries have expanded exports to the west to compensate for a collapse in sales to the former Comecon area. Yat in recent years the EC's exports to these countries have risen much faster than Its imports. As a result, the EC, which up to 1990 registered a trade deficit with the area, is running a

substantial surplus. Eastern Europe will suffer for many years the legacy of communist mismanagement, It would be folly to super-impose on this the effect of short-sightedness by a Community which can afford to be more generous. Eastern Europe's efforts at recovery will be largely self-generated. But without a strong belping hand, these countries could slip backwards. Letting them export their produce without restraint to the more prosperous western part of the continent is the most effective way of guarding

une in to the latest international debate about what sort of television the world will be watching in the 21st century

and you might guess that a repeat is being broadcast.

European Community ministers will today discuss an "action plan" to promote wide-screen television services in Europe. It is the sixth time ministers have debated such a plan since the Commission put for-

ward the idea in April 1992. The crucial issues in the debate remain unchanged. What steps should the EC take to encourage the next generation of television hardware? And how much should it spend on promoting advanced television for Europe? The international television

industry now has to choose from a menu of options including widescreen television, digital transmission technology and high-definition, cinema-quality pictures. The choice is a complex one hecause the options are not mutually exclusive. In Europe, the priority in tha action plan is to promote a shift towards broadcasting normal definition TV on wider screens. The proposed EC plan would not tie the industry to any particular transmis-sion technology. Britain is blocking

Ecu228m - is still too lavish. Meanwhile, m Japan, HDTV has arrived, using existing analogue technology. But the price of HDTV receiver sets has only just come down through the symbolic Y1m (£6,250) mark, and programming is

agreement on the plan because it

believes the proposed funding -

dowo from the original Ecu850m to

both scarce and bland. Greater strides have been made in the US, where three rival consortia agreed three weeks ago to club together and work on a single technical standard for digital HDTV. But there are substantial technical difficulties to be overcome before a working system is in place, and US television stations fear they will not be able to afford the equipment necessary to satisfy the manufacturers'

desire for a high-quality system.

If mass-market, cinema-quality television still seems a long way off, manufacturers, broadcasters and governments appear to have learnt from both the mistakes and hreakthroughs of the past decade and are working in far greater harmony than the surface turbulence would suggest. Moreover, after seven vears spent focusing on the potential of higher-definition technology. they have begun to turn their attention to what consumers actually want from television services - better quality, greater choice, or a combination of the two - and how much they are prepared to pay for

The trigger for the new debate is tha arrival of digital technology, and its extension to television transmission. Digital compression techniques enhance quality and allow far more services to be pro-vided on the same channel. Digital could, for example, permit broad casters to stagger the start-times of the same film on a movie channel, giving viewers the choice of when to start watching.
Digital HDTV has the further

advantage that it can be broadcast terrestrially, as well as by cable and satellite, like existing TV.

Moreover, the opportunities pro-vided by digital appear to have united old rivals and put paid to Europe's efforts to gain a competitive advantage by setting exclusive HDTV standards – an outcome the European Commission has now

In the US, for example, the Federal Communications Commission, which has to approve an HDTV standard, was originally considering proposals from US, Japanese and European companies. The Japa-nese analogue proposal was eventu-ally eliminated in February when it became clear that the FCC wanted a digital standard. The "grand alliance" formed last month includes both Philips and Thomson Consumer Electronics, the Dutch and French electronics groups which were supposed to be among tha principal beneficiaries of the EC's original HDTV strategy.

Andrew Hill and Andrew Adonis

examine moves towards the next generation of television hardware

Turn on to the bigger picture

	Germany	France	UK	TOTAL	1	3			-
Respondents preferri	ng wide-sc	reen: pren	nium prep	ared to pay		1 9	1		
The same or less than						1			٠,٣
conventional set	13%	23%	24%	20%					
+12% premium	7%	16°,5	3%	9%	1		71		
+13% to +30% premium	25%	34%	46%	35%		1.3			7
+31% to +50% premium	25%	ជ ិក្ខុំចំ	21%	22%		F. F. 3		1	ď
+51% premium	18%	12%	7%	12%			1	15	., ,
Main reasons for pret	erring wide	e-screen			7				1
Better for watching films (more like a cinema)	67%	43%	56%	55%				H	Ŧ
Better picture (quality and size)	42%	6 6 °;⊹	53%	54%					ł
TV more attractive	33%	12%	4%	16%					1
Potential drawbacks t	o wide-scr	een						$\langle \cdot \rangle_{n}^{n}$	1
Living room too small	51%	46%	17%	38%			773	7.3	1
TV set too large	14%	29%	49%	30%			· ;;		ď
Distorted picture	16%	17%	500	13%			4	·	4
Poor quality picture	19%	3%	5% ·	9%			′ 5′ 6	1. C	1
Price	895	3%	5%	5%		147.			ŀ
	-	ACM-DISCUSSION	AREA CONTRACTOR	STATE OF STREET	STATE OF THE PARTY				<u>.</u>

Germany France

Meanwhile, the European Commission, EC governments and industry have given new impetus to the co-ordination of digital research and standardisation. A group set up by Germany's posts and telecommunications ministry is aiming to pro-mote the acceptance of a draft digital standard for ordinary, non-HDTV broadcasts by the end of 1993 and for digital satellite and cable transmissions in Europe as

early as 1995. The highly damaging failures of the EC's HDTV legislation in the 1990s are still fresh in the minds of the German organisers. The EC's first efforts to develop an analogue HDTV system were undermined when commercial broadcasters and

Work on digital technology should dovetail with the Community's action plan - if it is ever adopted

satellite operators avoided the EC's compulsory transmission standards hy transmitting from satellites not affected by the EC legislation. As e result, equipment manufacturers, which had invested heavily in the EC-backed technology, found there were no services for the sets they had developed.

This time, the digital group is trying to encourage co-operation between satellite operators, com-mercial and public hroadcasters. manufacturers and national administrations from the outset. In a recent press release the group stressed that it wanted to "address the needs of European viewers and to proceed with e fully market led

approach".
"Wa have to investigate the needs of the user, and learn from the experiences of Mac [the earlier EC HDTV standardj," saya Mr Wolf-

gang Becker of the German telecoms ministry, "What do the users want, and what are the broadcasters and [manufacturing] industry going to do about It?"

Among EC companies, there is cautious optimism about the work of the digital group. Mr Yves Feltes of Société Européen des Satellites (SES), one of the pioneers of the standard-quality satellite broadcasts, says SES will be in the vanguard of digital transmission, although it is too early to say whether the co-ordinated approach will work. "At least this time, the major players are talking to each other," be points out.

Consequently, work on digital technology should also dovetail with the EC's action plan - if it is ever adopted. It would fall to the two elements, when it comes up with e formal digital television strategy in the autumn. The aim of EC funding is to stimulate new wide-screen services, thus boosting a consumer electronics market which the Commission believes will eventually be interested in every thing thet digital HDTV has to

As far as the US challenge is concerned, the involvement of Philips and Thomson in the grand alliance, the efforts of the European digital working group and the development of wide-screen television sets in the EC indicate that efforts on hoth sides of the Atlantic should complement rether than conflict with one another. Philips, for one, says its experience with the US grand alliance will be of use in developing a European digital strategy through the working group.

A digital HDTV standard devel-

oped by the US grand alliance is unlikely to become the global standard because of technical differences between European, US and Jepanese hroadcasting infrastructure. But, according to the European Commission and to the EC companies involved in the US effort, there are important elements that will be common to both.

The question is whether consumers in the US, Europe and Japan will want to invest in wide-screen and digital broadcasting - with its promise of greater choice and such innovations as "interactive" video. And, if they do buy the decoders necessary to receive the new channels, will they then be interested, as the European Commission believes they will, in upgrading to a higher-definition, cinema-quality picture sometime in the next cen-

According to a recent consumer survey in the UK, France and Germany by BIS Strategic Decisions, an information technology consul-

The supposition that, without a hand-out, broadcasters will not film and broadcast in wide-screen format is debatable

tancy, wide-screen TV was preferred to conventional TV by e margin of 56 per cent to 40 per cent. About two-thirds are in favour in France and the UK, with a 60:36 ratio against in Germany.

Those favouring wide-screen gave as their main reason that It was better for watching films. The size of the set and picture quality were the main reasons against.

On price, although three-quarters of consumers favouring wide-screen format were willing to pay more for the new sets than for conventional sets, barely one in three - that is a fifth of all consumers - was prepared to pay more than a third

However, says Mr David Mercer, an analyst at BIS: "That still means there are millions of people across Europe prepared to pay more for wide-screen, even before enhanced technology." He believes that, once wide-screen has been launched and marketed as "home cinema", prices will begin to fall and more people will want to

buy it The retailers see it that way, too. If the EC package goes through, Dixons, the UK retailer, hopes to have "affordable" wide-screen sets in its shops by the autumn of 1994. It expects a 25-inch wide-screen format - the replacement for the 21-inch conventional screen most com-mon in the UK today - to retail for about £1,000, coming down to the equivalent of today's £650 within

two or three years.
"The TV market is mature and needs new products," says Mr Roger Salmons, Dixons' group planning director. "Wide-screen is the next major product on the horizon. Once consumers have made the step up, and manufacturers have brought the price of wide-screen down, the introduction of HDTV ought to be commercially viable when it becomes available."

anufacturers are equally confident of their ability to cut the cost "Prices will be quite high for the first generation but, once we have an agreed standard [for wide-screen transmission] and volumes rise, the only cost over and above the current technology should he the size of the larger screen," says Mr Robert van Oostenbrugge, manager of Philips'

broadcast media division.

That leaves the broadcasters. Most of the EC's Ecu238m, plus an additional amount which the industry or national governments may be obliged to provide under any final egreement, is a sweetener to encourage them to produce programmes in a format compatible with wide-screen.

The supposition that, without e hand-out, the broadcasters will not film and broadcast in wide-screen format is debatable.

Mr Chris Daubney, chief engineer at Channel 4, the independent UK broadcaster, claims that there is "no obvious revenue to be gained from going to wide-screen, hut there are certain capital costs - studio equipment and so on - for which we would like compensation".

On the other hand, Mr Barry Cox, director of corporate affairs at London Weekend Television, says bluntly; "Wa will need to go wide-screen anyway if the market is going that way. But if the Commission is putting up the money, of course we will apply."

in fact, the costs involved do not appear to be enormous: observers pnt the total charge to the UK broadcasting industry at less than

There is also no question of broadcasters shifting all their production to wide-screen in one go. The impact on existing small-screen users, who will very likely have to make do with unattractive "lettertion of programm for wide-screen, will initially keep it restricted, probably to films, sport and drama

The path ahead is still far from straightforward. Even if agreement is reached today on a funding package, the debate continues between proponents of two alternative means of proceeding to wide-screen at "standard" definition.

Some of those involved want to proceed as soon as possible with the so-called "PAL-plus" system, which enhances the existing signal suffi-ciently to take wide-screen; others want to wait until digital is available. The industry could end up moving from one to the

Finally, of course, comes the consumers' actual readiness to huy the new sets. Expect some cultural differences. According to the BIS survey, hy far the largest objection to wide-screen in the UK was from respondents fearing that the screen was too large; by contrast, the French and Germans, given the same options, were mainly afraid that their living rooms were too Compelling snhject for a docu-

mentary, perhaps.

OBSERVER

Ex-Governor for hire

■ With only a fortnight to go before the newly-ennobled Robin Leigh-Pemberton hands in his keys as governor of the Bank of England, it is far from clear what he is going to do next. He has had a good innings at the Bank and as a fit 66-year-old he has a few years service left in him.

If he should run short of job offers he could always seek advice from his old chum and long-time Bank director, Sir Adrian Cadbury. whose ProNed body specialises in finding non-executive directors for tough jobs. But it is unlikely to come to that. Before he became a central banker, Leigh-Pemberton had been chairman of a clearing bank (NatWest) and an industrial

company (Birmid Qualcast). The Fed's Paul Volcker and the Bundesbank's Karl Otto Pöhl, have had no difficulty collecting an impressive portfolio of directorships when they stepped down. Neither should Leigh-Pemberton.

However, there is one particularly delicate matter which needs to be resolved. Leigh-Pemberton is one of two Brits on the board of the Bank for International Settlements, the central bankers' talking shop. The other is his predecessor, Lord Richardson, who has just been re elected for a further three-year term. Eddie George gets a seat automatically. But will Lord

Richardson do the decent thing and give up his place. After all Lord O'Brien did the same for Richardson when he quit the Bank In 1983.

Mental aides Sir Charles Powell, ooce the most

feared civil servant in Whitehall, has enlisted the aid of his old mistress, Lady Thatcher, to launch an appeal to finance research into schizophrenia. Sir Charles, who forsook the

intrigues of Downing Street for the more civilised world of big business, is leading an effort by the Mental Health Foundation to find a cure for one of the world's most serious but incurable Unesses Observer can think of no better cause for a re-union of one of Downing Street's most famous teams.

Visa problems

■ It appears that Britain may have gained a slight diplomatic advantage over the French with the victory of Chief Moshood Abiola in Nigeria's presidential elections. Abiola, who made his fortune

selling telecommunication systems to the Nigerian government in the 1970s, has close ties with Britain. He owns the London-based African Economic Digest and is a frequent visitor to the city. However, Observer hears that France's corps diplomatique may need to mend a few fences.

Who is Terry Venables?"

The problem dates back to Abiola's application for a visa to visit France three years ago. After some delay, the chief's personal assistant went to the French embassy in Lagos to complain. Embassy staff, who had not heard of the great man, demanded Abiola provide a return ticket before issuing the visa. "Chief Ahiola does not need a ticket," the assistant explained.

"He has his own plane."

Disconnected

■ So all publicity is not necessarily good publicity, after all. In addition to Michael Mates, it would seem that Christopher Morgan, the PR

man at the centre of the row over political intervention in connection with Asil Nadir, had another good buddy who was also e Hampshire MP. In the register of members' interests, Gerry Malone, the clubbable Conservative party deputy chairman, has listed Morgan & Rogerson as e client.

The Winchester MP, who says "Christopher was and is a personal friend", explains that he ended the formal relationship at the end of May because of mounting political commitments.

Fighting fit ■ As the smoke starts to disperse over the Tottenham Hotspur

Football Club battle ground, the casualty list does not appear to be quite as long as expected. General Portfolio, the Harlow-based insurance company, for example, reports that it has not been damaged by events. It will continue to flog insurance policies to Spurs supporters for another 14 months at least, even though the deal was set up by

ousted chief executive Terry

Venables.

Venables did the deal with GP because he liked the look of its national sales director, Bob Patmore, a former star of the Tottenham youth team. But GP spokeswoman Valerie McKirdy stresses that It had not been a personal deal bnt a three-year agreement signed with one of the Tottenham Hotspur companies.

"We are certainly not eware of anything to suggest that the agreement is not continuing," she

To be fair, GP is quite practised in dealing with the sensibilities of new oweers. A wholly-owned subsidiary of a French company, it continues to use a logo of the Duke of Wellington.

Same old story

■ It might be out of bounds and a soft target. But Kamlesh Bahl, who took over as boss of the Equal Opportunities Commission yesterday, has already fired off a stiff letter to one of the dustier corners of the British establishment which still discriminates quite openly against women.

Ms Bahl says she was humiliated last week, when meeting a friend at the Oxford and Cambridge Club in London's Pall Mall, to discover thet, as a woman, she had to wait downstairs for her male escort and later, could only drink her coffee in a certain corner of the building. Sadly, says Ms Bahl, the EOC is powerless to do anything about private clubs, such as the Oxford and Cambridge, which still bar women from full membership.

Once again

■ Why did Lady Thatcher come out so strongly in support of John Major? The answer is as easy as

Anybody But Clarke.

n the second Tues-day of every month, i3 central hankers meet in the sleepy Swiss town of Basle to review the monthly accounts of the Bank for International Settlements, one of the world's most powerful and secretive banks. The general manager, Mr Alexandre Lamfalussy, admits that the gathering, in the bank's nuclear-attack-proof 1970s headquarters, is usually a formality and rarely last more than 15 minutes.

The bankers say their main reason for the trip is for the other meetings held there, during which they discuss weighty issues of monetary policy and the health of the financial system. However, the 15-minute meetings are crucial since the revenues from the bank pays for all the other activities and the sumptuous meals and rural excursions that make tha sojourn more pleasant.

The BIS set up in 1930 to recycle German first world war reparations back to Germany as government loans, is, in the words of Mr Lamfaiussy, a mixture of arcane traditions and banking strength. But It has come to play a pivotal role in the world's financial affairs, through a combination of secrecy, financial strength and

technical expertise.
Tucked away at the back of its latest 230-page report on global monetary conditions and international hanking supervision, are the halance sheet and profit-and-lose account. They show that last year the BIS paid a record SF7240 dividend from record profits of \$271m, while its balance sheet expanded at an unprecedentedly fast rate.

The location of the figures reflects the banking department's shy public posture. The BIS is the central banks' bank - 84 per cent of its shares are owned hy 33 central henks, with the balance held by private shareholders - and the glare of the limelight would not be conducive to its husi-

"The main banking activity of the BIS is to help the reserve management of central banks," Mr Lamfalussy said. This means thet central banks place sobstantial amounts of their foreign exchange reserves with the BIS, normally on very short-term deposit. "Between 85 and 90 central banks deal with the BIS," he added.

"Our share in world foreign exchange reserves is normally around 10 per cent." At the end of March, the BIS held \$106bn of deposits from central banks - 60 per cent in dollars - 28 per

Banker to the bankers

Robert Peston on a powerful and secretive institution

cent more than the previous

According to Mr Lamfalussy, the BIS's success stems from its liquidity and lts discretion. When there is uncertainty in foreign exchange markets, central banks need to know they heve instant access to their reserves, in case they have to intervene in the markets. "If e central bank rings up at 4pm and asks for \$2bn, we can give it to them immediately," Mr Lamfalussy said. "No other bank can do that."

The BIS's financial skills and liquidity were tested as rarely before during the instability which rocked the European exchange rate mechanism last

'If a central bank rings up at 4pm and asks for \$2bn, we can give it to them immediately'

European central hanks sold an estimated DM188bn between June and December in an attempt to reduce upward pressure on the D-mark. Most of the sales were for dollars.

At the height of the crisis, between August and the end of October, central bank deposits at the BIS increased by almost \$27bn. If central hanks had placed these funds directly into the money markets, specula-tors would have found it even easier to work out what the banks had been up to,

The BIS also lends to central banks in an emergency. Mr Lamfalussy hinted that central banks whose D-Mark reserves were running low because of sales of the German currency, may have horrowed some from the BIS during the ERM debacle, before rehuilding reserves through a bond issue or cur-

He added that the BIS pays an interest rate on central

banks' deposits below commercial bank rstes hut above treasury hill rates (governmentissued securities). It then makes a small profit by placing these funds on deposit with the most financially secure commercial banks or in govern-

Central banks accept a low rate of interest because of the BIS's balance sheet strength, which guarantees the security of their deposits. But assessing its net worth is complicated: it admits using unusual accounting techniques and undervaluing and hiding some of its

The BIS has built up gold and currency reserves worth \$4.3bn, expressed in the quaint convention of gold francs, a monetary unit invented by the BIS and used exclusively by it. When translating currencies into gold francs, the BIS uses a fixed gold price of \$208 an ounce, well below the current market price of about \$365, which means that one gold franc is equivalent to \$1.94.

At the end of March, the BIS's published capital and erves in gold and currencies were GFr1.75bn (or \$4.8bn). But several more calculations are required to arrive at a more accurate measure of the hank's financial strength. As Mr Lamfalussy said, Its assets are substantially more than that".

One disguised source of wealth is its "miscellaneous account", an unusual balance sheet classification. Unrealised gains and losses on its hold-ings of currencies and securi-ties are taken through the miscellaneous account, which stood at the equivalent of \$2.9bn et the end of last year. Many banks would include all of that in their capital and reserves. in addition, the BIS owns and occupies a 21-storey office block in Basle, and owns several acres of prime property around it. This is all valued in its balance sheet at GFr1.

Total net assets could be as high as \$9hn. Even though central hanks and shareholders recognise that its strong balance sheet is the key to its ability to do what they want, they cannot belp casting a covetous eye on the gold, cash and real estate. Some central bankers believe BIS is over-capitalised and should perhaps return part of its capital to its shareholders in the form of a special dividend.

Such a suggestion is anathema to Mr Lamfalussy. The BIS, he said, must have sufficlent capital to horrow and lend hillions in the time it takes for a central bank governor to raise his eyebrow.

n three weeks, tha Royal Commission on Criminal Justice will deliver its verdict on the health of the English criminal justice sys-

Set up two years ago after a series of miscarriages of justice, the commission, chaired Lord Runciman, was charged by the government with carrying out the most far-reaching review for more than 100 years.

The legal establishment hopes not only for a report that could help restore public confidence, but for a blueprint for the next century. "The judi-ciary has the highest expectations," according to Lord Tay-lor, the Lord Chief Justice. But doubts have surfaced

about what the report will achieve. Many lawyers believe that, hy tackling everything from police investigations to the problems of long fraud trials, the commission will not have had enough time to examine the issues - some far from clear cut - in depth.

Lord Williams of Mostyn. QC, last year's bar chairman and Lahour's iegai affairs spokesman in the House of Lords, says it is a "watershed" But he has doubts about what it can accomplish: "I hope to goodness they've had enough

The political impetus for change has been the need to restore confidence in English justice. But the government's hands will be tied both by publlc spending contraints and competing political priorities.

The best hope for concrete proposals is on the question of niscarriages of justice. Studying the events arising out of the IRA's 1974 mainland bombing campaign should have enabled the commission to identify several factors that contributed to the wrongful convictions of the so-called Guildford Four, Maguire Seven and Birmingham Six.
The commission is likely to

recommend the creation of an independent tribunal to take the investigation of suspect cases out of the hands of the Home Office. It is also expected to recommend the establishment of an independent forensic science service, to give the defence access to forensic facilities enjoyed only hy the prosecution at the moment.

Such firm recommendations are, however, likely to be the exception rather than the rule. Much of the evidence received by the commission has been conflicting.

Disputed confessions, for example, are central to most alleged miscarriages of justice.

A verdict but no conviction

A review of the English criminal justice system is unlikely to fulfil expectations, says Robert Rice



Judgment time: Lord Runciman (right) studied wrongful convictions, such as the Birmingham Six's

A change in the law, to prevent a defendant from being convicted on a confession unless it is made in the pres ence of an independent third party or supported by other evidence, would seem an obvious recommendation.

Yet this has proved a controversial area. The commission found that, in nine out of 10 cases in which confessions were central to a case, there was corroborative evidence. in the remainder, the police could have produced it if needed, but had chosen not to in order to save time and money. This, say some, shows that a requirement to produce corroborative evidence in all cases is an unnecessary expense; others say that, if corroborative evidence is available in most cases, the police should be required to produce it.

While high-profile issnes such as ways of preventing miscarriages of justice are expected to lead to firm recommendations, the hulk of the report is likely to concentrate on cutting costs and increasing efficiency. It will also have to tackle the delicate question of the balance between the powers and rights of prosecution and defeoce

Mrs Barbara Mills QC, director of public prosecutions, believes the best way to cut costs is to reduce the number of cases that go to the Crown Court for jury trial, She has

urged the commission to rec ommend the abolition of the defendant's right to choose jury trial for offences that can he tried either hy magistrates or in the Crown Court.

Of the 120,000 cases committed hy magistrates to the Crown Court each year, about 35,000 end up there because the defendants have elected jury trial. The average daily cost of a Crown Court trial in 1992-93 was 26,850. The costs of a trial in a magistrate's court is estimated at less than half that

owever, the DPP's proposal is unlikely to find favour with the commission. mainly because the right to be tried by one's peers is strongly supported by the judiciary. Lord Taylor calls it "an inalienable right going back to Magna Carta".

Mrs Mills can expect more support for her call for a formal system of plea bargaining, where an accused can secure a lighter sentence in return for a guilty plea.

At the moment, guilty pleas do generally lead to reductions in sentences, but the process is informal and arhitrary. The prosecuting authorities, judges and the bar want an open system, under which defendants are guaranteed a sentence discount for a guilty plea secured at the earliest opportunity.

ing as the best means of tackling the waste caused hy "cracked trials" - trials that are aborted (and move immediately to sentencing) when the defendant changes his or her plea to guilty at the last minute. in such cases, all parties

a full trial. Some 70 per cent of defendants committed by magistrates to stand trial on a notguilty plea change their plea to guilty at the Crown Court. About a third of them enter a guilty plea on the day of the trial or just before, causing a cracked trial.

will already have prepared for

Lord Mackay, the Lord Chancellor, leads the government's support for formalised plea bargaining. Mr George Staple, director of the Serious Fraud Office, sees it as the solution to problems of long and complex fraud trials. "By avoiding the contested trial, with all that it Implies in terms of expense and time and manpower, a plea of guilty is the single most effective means of shortening the process," he says.

But Lord Roskill, the former law lord who chaired the 1986 Fraud Trials inquiry, is opposed to formalised plea har-gaining: "The real objection is that it enables people to buy themselves off."

He is also concerned that plea bargaining may induce the innocent to plead guilty or

feel there is pressure on them to do so. The result could be to encourage miscarriages of jus. tice. This concern is shared by Justice, the law reform pres.

sure group. A further difficult question for the commission is how to correct the perceived imbalance between prosecution and defence: protecting the rights of the defendant while ensuring that the prosecuting

authorities have the armoury to bring the guilty to justice. Many judges, including the Lord Chief Justice, believe the odds are weighted too heavily in the defendant's favour. Few defence lawyers agree although the opinion of the judiciary may carry more veight with the commission

Some inroads are likely into the defendant's right to silence: the right not to say anything in his or her defence, either to the police or in court. The central issues are whether the court should be able to draw inferences from an accused's failure to explain alleged criminal conduct before trial, and whether the so-called ambush defence" - where an accused remains silent throughout an investigation but offers an explanation at trial taking the prosecution by

surprise - should be outlawed. The commission's research found that silence may have hampered the conviction of the guilty in only 2 or 3 per cent of cases. Nevertheless, the number of people who argue that the innocent have nothing to hide by giving an explanation is growing.

The commission will probahly recommend that the defence be required to disclose its case early in the pre-trial

Controversy over this and other issues, coupled with the government's apparent reinctance to see radical reform of the system now, mean the commission will not produce the hoped-for hlueprint.

Mr Kenneth Clarke, the former home secretary, has indicated the government intends to treat the report as a consultation exercise. If it accepts the commission's ideas, further detailed study of the practical implications is likely before any legislation.

With the recent climbdown over a means-related fines system (withdrawn in May after only seven months) fresh in the memory, the government will not be rushed into action.

Two years ago radical change seemed imperative. Now any reform looks likely to be at the margin.



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THE EDITOR

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IoD presses case for independent bank

From Mr Peter Morgan. Sir, Having campaigned for more than a decade for an Independent Bank of England, the Institute of Directors is encouraged that the advantages of this ultimate privatisation are becoming accepted wisdom among a wider range of influential figures - not least the former chancellor of the exchequer and his predecessors - to whom we have made repeated representations.

wary of relinquishing its hold over one of the levers of economic control, and claims that an independent central bank could not have brought down inflation more quickly than the government. Yet inflation would not have risen to such a high level and wrought so much damage on the economy and business so frequently. had the Bank of England been able to operate a rigorous antiinflation policy.

The objectives of an indepen-

dent bank should be set hy par-liament, to which it should be accountable, openly and in detail, for the discharge of defined and limited responsibil-

The Bundesbank and the Reserve Bank of New Zealand provide interesting precedents. Within these parameters the Bank would be free to operate in the best interests of the economy rather than for the benefit of political parties influenced by party politics

and the electoral cycle. Given the uncertainty surrounding the exchange rate mechanism and European monetary union, the best signal the government could give to our European partners and financial markets of its commitment to low inflation and sound money is to grant independence to the Bank of England. Peter Morgan, director-general,

Institute of Directors, 116 Pall Mall, London SW1

Forecasts

The government is naturally

From Mr Roland Davis. Sir, Gordon Mitchell (Letters, June 14), invites the Financial Times to publish forecasts of share prices. But that Is

exactly what the FT does. Need I remind him that in the absence of non-public information the best forecast of tomorrow's price is today's price? i hope Mr Mitchell is not wasting his money trying to guess which companies will outperform the market. Nobody should be picking indi-

vidual shares now that the superiority of a diversified portfolio is well-established. Roland Davis, Woodcot,

Brook St. Cucksfield,

Whistle stop

From Mr Guy Dehn. Sir, Your article about the organisation Public Concern at Work, headed "Solicitor launches group to protect whistle-blowers" (June 14), is premature and somewhat inaccurate.

We have not been formed to protect "whistle-blowers employees who disclose confidential information in what they judge to be the public interest". Rather our object is to develop alternatives where employee concerns about public dangers are first raised and addressed within their organisation.

When we launch in the autumn, all will be clearer. Guy Dehn. Public Concern at Work, Lincoln's Inn House, 42 Kingsway, London WC2B 6EN

Karadzic talks peace but killing goes on

From Mr Bernd Karl, Sir, It must be the climax of

western perversion that after the complete failure of our politicians to stop 'the killing in Bosnia that the Financial Times should give Mr Radovan Karadzic, the Bosnian Serb leader, a chance to publish an article (Personal View, June 9). How can one dare to give a

war criminal such an opportunity, given the the reality of the past 14 months of killing. torturing, raping and ethnic cleansing, mostly by Serbs. Do you really believe this is the way to prove our democratic system? The Sarbs must be

A meeting in Luxembourg of foreign ministers of the EC is followed by a meeting of the Nato foreign ministers making all the well-known declarations. Meanwhile, the Serbs are closing in on Gorazde and are using captured Moslems as human shields while advancing on the town - and Mr Karadzic ln his article is talking about peace. I am com-pletely puzzled about what you intended by publishing the

article. I must be very naive to have believed that the news media. and especially newspapers, should have played a more forcefui role in condemning the inaction of our European politicians. The article you published is just doing the

i still cannot understand how we have allowed these crimes to be committed after the atrocities of the Germans during the second world war. We witness them every night on TV and yet the world looks the other way. I am deeply disappointed that you chose to publish the article. Who other than a courageous press should point out the bigotry and hypocrisy displayed by the "civilised" western world in the Bosnian conflict?

i have just heard on the radio that Serb forces are attacking three "safe havens". Zepa, Gorazde and Srebren-ica. And Mr Karadzic talks of peace. Bernd Karl,

Wilhelm Hey Str 14, 8000 München 60,

Amnesty report on women in Tunisia baseless From Mr Mohamed Lesser. Other testimonies contained

Sir, With reference to your summary of the Amnesty international report on wnmen in Tunisia ("Amnesty says women tortured in Tunisia", June 3), I wish to state the following.

The report is totally irre-sponsible and completely without foundation, it is based almost entirely on the content of propaganda leaflets from illegal extremist groups whose declared objective is to undermine the Tunisian govern-ment. Therefore, we reject and deny its allegations, most of which have been refuted in previous government responses while others pertain to women who have been subjected only to measures authorised by law. They have never been maltreated, tortured or been the victims of any other

form of ahuse.

in the report were given by women whose identities were not revealed, but who belong to two extremist movements, both of them banned. Amnesty has repeated and endorsed the allegations but, under the pretence that It is fearful of reprisals, has not checked any of them through the usual procedures. This pretence is intended to harm Tunisia's

reputation and undermine its

judiciary. Also, no prior notice

about the report was given to the Tunisian government as is usually done by Amnesty. It is tronic that Tunisia, of all countries, should be singled out for criticism in connection with women's rights when the country is widely acknowl-

edged to have achieved more progress in that area than any other country in the develop-ing world and is often called

upon to chair human rights committees in regional and international forums.

Tunisia has in the last few years signed and ratified the UN convention against torture without reservations and has set up a higher committee for human rights and fundamental liberties, and a commission of inquiry into earlier allegations received from Amnesty. The president of the republic has also nominated a counsellor for human rights while units were set up in various minis-tries to deal with human rights. Furthermore, an omhudsman has heen appointed with a full team to support him in his joh. All these measures testify to

the strong commitment of Tunisia towards human rights. Mohamed Lessir, Ambassador of Tunisia,

29 Princes Gate, London SW7

Television/Christopher Dunkley

Everybody seems to be 'morphing'

emember Murray Mints, the too good to hurry mints? We're going well, we're going Shell? Wondering where the yellow went when you cleaned your teeth with Pepsodent?

How straightforward matters were in the days when television commercials were simply supposed to sell things. Now bafflement is the order of the day and smart references to famous movies or previous commercials are de rigueur. You see a picture of a man with a bird cage on his head, and then a woman with e model of e Richard Rogers building in her hair. A grand piano falls in slow motion from a high bridge. The picture cuts rapidly from a human skull with smoke emerging to e sinister bald black man wearing a patent leather corset as he sits in front of a navy bine sky. Big ball bearings whiz through the

What on earth is baing advertised? A dungeons and dragons computer game? A new pill to banish nightmares caused hy Gorgonzole and gherkin sandwiches? We hear what sounds like David Bowie singing as events become even more obscure: three creatures. part animal, part human, wade through e river, hending as though to look for something under the water. An old man is seen, covered in gold paint. A car drives through water sending up e buge sheet of spray. A head appears in a black leather sado-masochist's mask bristling with metal spikes and with a zip across the mouth. Finally comes the sales pitch, written round a rubber tyre: "Tested for the unexpected,

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Had this been produced as a

a brevarı

Byrne's bar.

vsses turns into a

spectator sport in

Dublin this time of

li, Geoffrey C. Ewing's

one-man show which

re-opens the Mermaid

Theatre at Black-

friars, is described as a tribute

to the former heavyweight box-

ing champion of the world.

And there's the rub. Not only

has this Ali e pretty face; his

soul could hardly be bettered,

too. He is your very Islamic

The set says it all. Ali, long

retired, is talking to his people

- the poor and the disadvan-

taged - in "an underfunded

show reei by a student on a mass media studies course we would have said it was technically competent but derivative in rather too studied a manner. it echoes avery overdone rock video from "Relax" to "Justify My Love" and on the way borrows from every mass media fashion from James Bond to Derek Jarman. The mystery is why anybody imagines it

might sell car tyres. The commercials for the cur-rent British Telecom share sale are not baffling but they, too, are full of references to other trendy mass media material; indeed they consist entirely of parodies of Inspector Morse, with Mel Smith as John Thaw. It is fairly funny to have the Morse figure bustling into the manor house and ignorantly blowing away the forensic man's fingerprint powder, or using a megaphone from the top of an Oxford tower to tell his people on the ground to Grab that one, the one in the gown, no not that one in the gown..." and so on. But again the question arises, why anyhody thinks that this is the best wey to sell the product. Why not tell us something

commercials is startlingly small. Do you understand the Toyota Celica commercial? Two pantomime Italian policemen pull into a petrol station which, instead of an Italian sign saying "Gasolio", has a buge American sign saying "Gas". They peer admiringly into an empty right hand drive Celica. An attractive girl walks up and climbs into the left hand seat. The driverless car magically moves off and the

police follow. We see that the

about the advantages of own-

ing BT shares? The amount of

information conveyed in these

Toyota has a British number plate and has somehow acquired a second person, in the driving seat. The police pull out to overtake, the Toyota disappears, then reappears going in the opposite direction, and a voice says The car in front is a Toyota". But of course by this time there is no car in front, only a car behind. What on earth is it all supposed to mean and why does anyone imagine it might sell us e Celica?

These are not isolated examples, dredged up from remote parts of the schedules. On the contrary, they are some of the

Commercial breaks appear to be devoted to directors who would rather be producing rock videos

most frequently repeated commercials presently appearing on ITV and Channel 4, and there are plenty more like them, where mystification seems to be paramount. Since all cars now have adjustable seats, glove compartments, handbrakes and windscreen wipers, and many have cassette players, Volkswagen can-not be trying to use these as unique selling points. So just what are they doing in the ed where the woman pulls the seat forward, stuffs the sweets in the glove compartment, takes off the handbrake, puts on the windscreen wipers and rejects the cassette only to be followed by e man who pushes the seat back, takes out the sweets and so on? Why do the man and woman in the Pirelli

commercial swap seats and why isn't he allowed to sit beside her? Why does the second blues musician in the Heineken ad fall through the verandah floor: does this beer no longer reach the parts that others cannot reach?

The more carefully you watch the commercials, the more powerful becomes the feeling that many of them are now being made by people who are more concerned with the furtherence of their own careers than with sales of the products. Perhaps this is not surprising, given the fame of men such as Ridley Scott whose progress from Hovis ads to Riode Runner has been told so many times that most of us can recite it. However, there does appear to have been e sea change. In Scott's day television commercials were et the forefront of innovation: you could trace the introduction of new techniques from commercials to Hollywood and then into the mainstream of television. Today the innovetions seem to be coming from rock videos and Hollywood, moving into commercials and then

spreading elsewhere. "Morphing" is a good exam-ple. This trick, in which e computerised dissolve is used to give the appearance of one thing literally turning into anothar - matamorphosis first appeared in rock videos just over a year ago (notably Michael Jackson's last major offering), was then used extensively in Terminator II, and is now unavoidable in the commercial breaks. From Andersen Consulting where e snail turns into e frog, via Castrol GTX where an Aston Martin turns into e Vauxhall, then a Land Rover and so on, to the BBC'e latest house commercial

in which John Humphrys. Lenny Henry and Kate Adie rapidly turn into one another, everybody seems to be morphing. No doubt television programmes will soon discover the technique and overwork it until it becomes a cliché.

There are still enjoyable commercials with beer, as ever, providing a lot of the laughs, many of them, once again, depending upon knowing references to previous commercials. In Boddington's current campaign the lady goes through the old Camay rou-tine, dabbing ber cheek with "lather" (foam from the head of the beer) and being told by her man "By 'eck, you smell gorgeous tonight petal". Green King has hired the chap who used to tell us that he liked his Remington razor so much be bought the company and got him to say "I had a taste of Green King IPA and liked it so much - I bought a pint". Meanwhile, in the background, two men shave themselves with electric razors. Panasonic has a wonderful ad in which a very old lady extols VHS video cameras ... with belp from her

But this is ebout as close as you come today to a simple sales pitch. The great bulk of any commercial break nowadays eppears to be devoted to auditions from directors who would like to be working for rock video producers, or who are already doing so and would now like to move on to Hollywood. It makes for some amaz ing technical trickery, and some fascinating virtuoso passages of film making. Whether it increases sales of sweets petrol or toothpaste as effectively as the old jingles and pack shots is a different matter entirely.

To see Bloom portrayed by someone as tall, slim and

attractive as Carey Harrison

gives e whole new dimension

to Bloom's role as husband and

cockold. We have here a new

Bloom. Harrison's portrayal

brings out the thoughtful,

humanitarian aspects of Leo-



Samuel Ramey as Attila, deploying all his best strengths

Opera in London

'Attila' and 'The Flute'

s revived at tha Royal Opera by David Edwards, Elijah Moshinsky's splendid Verdi production retains all the power it had in 1990. Verdi composed Attila some four years after Stiffelio (which Moshinsky staged trlum-phantly this spring), and four years before Nabucco. It counts unambiguously as "early Verdi", which most often means bald metodrama and stand-and-deliver arias. In that restricted style Verdi could already write potently expressive music, and sometimes break through the period routines; but his libretti and their Verdi took quite seriously as his inspiration - now inspire

only patronising attitudes. Moshinsky's great practical gift is for forcing us, too, to recognise that those situations are serious at heart, at least as Verdi sets them; that the apparent veering between banality and lofty extravagance is only a matter of surface styla, as in Handel's operas; that all those arias are human responses to grave circumstances, not mere operatic

showpieces No doubt early Verdi with exotic trappings like Attila -decadent 5th-century Romans fending off hell-bent Attila and his Huns - has looked ridiculous in revivals this century which tried to play him "natu-ralistically". Moshinsky's solution bere is inseparable from Micbeel Yeargan's sets: stagehigh wooden palisades parting at unpredictable angles to reveal ancient towns, mudflats and barrens, gloweringly lit by Robert Bryan. The time and the places are evoked palpably, but with a minimum of picturesque detail; and in those lour-

ing spaces, the performers can

make their old-fashioned gestural semaphore tell. As the posturing becomes transparent, we see through it to tribal loyalties, fraught per-

sonal trusts, voracious ambi-tions and old, inconsolable regrets for a "noble" world lost. (Verdi bonoured all the Risorgimento ideals.) If almost every aria begins with either a rumpty-tum village-band flourish or a strummed harp - quite rightly, the conductor Edward Downes swings into those things with unabashed fervour - in this cleverly strippeddown context its vocal line soon says something sharper and more poignant. That needs a superlative cast, and again the Royal Opera have got one.

From earlier runs we bave Giorgio Zancanaro again as the disillusioned, backwardlooking Roman general Ezio, confounding the New Grova Opera diagnosis of his role ("vague and undefined") by a searching account of "Dagl'immortali vertici"; and as the romantically besotted Foresto, Dennis O'Nelli - our best mock-Italian tenor, by a very long way - can at last marry his guilty hangdog look to pas-

sionate expression. Above all, the new incumbents in the central roles serve Verdi's (and Moshinsky's) intentions with severe honesty. Elizabeth Connell's Ddabella, reeling between Italian patriotism and Attila's macho appeal, wields all the requisite vocal steel - unlovely, but hard-wrought and gripping -and yet melts beautifully for her last, compromised plea to Foresto. Attila himself is the American baritone Samuel Ramey, deploying all his best strengths: coiled-spring intensity, dark eloquence and a sculpted Tartar Iace. Directed

by Terry Edwards, the Royal

Opera chorus makes a decisive mark at eech opportunity. Such tautly contrived mixes are unstable; hear this one if yon can, while it lasts!

David Murray

On the same night English National Opera reached its final presentation of the season, a revival of The Magic Flute. Whenever the company is in search of an audience, this is an opera to which it can turn. The present production, dating from 1988, is sophisticated and morally unimpeachable: it erases all suggestions of racism from the text by evoids sexism by introducing a woman into the Brotherhood. An easy sense of humour, the opera's childlike Innocence.

come to it less easily. This revival is not especially distinguished, in either orchestral or vocal terms. Alan Opie's genial Papageno was worth his bottle of scrumpy, shared no doubt with Sally Harrison's bubbly Papagena at the end. Otherwise, the chief pleasure of the evening came from the radiant singing of Gillian Webster, whose Pamina is in a class of her own, abeautifully pure soprano and a musician who shapes every phrase in the most personal manner. In the favourite duet with Papageno this translation has her singing of "truth and beauty" - just the qualities that she alone brought to the perfor-

Richard Fairman

There are seven more peform ances of Attila at Covent Garden between tonight and July 3; The Magic Flute is et the London Colisenm until June 25 (sponsor: United Airlines)

Lunch with Mr Bloom

year as the celebrations of June 16 - "Bloomsday" the Grafton Street area knowon which the events of ing that Molly has an assigna-James Joyce's novel took place tion with her lover, Blazes Boybecome ever more prolific. lan, and afraid of meeting the How refreshing, then, after latter face-to-face. He is disinnumerable Molly Bloom soliltracted by the gulls and boys oquies (... and yes I said yes I two Banbury cakes for a penny to feed them. He passes the will Yes) to have a dramatisa-tion of Chapter Eight, chiefly time of day with an acquainremembered as the chapter in tance, Mrs Breen, is repulsed by the prospect of eating in the which Leopold Bloom, after a Gorgonzola sandwich and e for Davy Byrne's where he glass of burgundy in Davy exchanges a few words with Nosey Flynn, After, on his way to the Netional Library, be This chapter does not immedoes indeed catch sight of the dreaded Blazes Boylan.

diately call ont for dramatisation. Nothing much happens. Carey Harrison, who did the Bloom, hungry in spite of a now legendary breakfast, havadaptation, must be given full credit for turning this unproming attended Dienam'a funeral ising material into a riveting walks by the Liffay towards

hour of theatre while remaining remarkably faithful to the original. The cast of five occupy e central square in the low ceilinged crypt with the eudience seated on two sides.

Alannah Hopkin celebrates 'Bloomsday' in the Dublin Castle Crypt

Sean Tracey's direction makes the best of this limited space. Just how popular Bloomsday has become can be judged by the fact that broadcaster Gay Byrne dedicated a good half

gramme to an interview with Carey Harrison, and expressed some doubts as to bow the son of Rex, and master of aimilarly cut-glass vowels, would man-age Bloom's Dublin accent. Harrison pointed out thet, through his mother, Lilli Palmer, he is every bit as Jewish as Bloom, and that in any Jew. not a native Dubliner. In the programme notes be excuses his beight (just over 6ft et e guess) by pointing out that at 5ft 9ins Leopold Bloom was 5 inches taller than the average Dubliner of his day, and at 11st 4lb somewhat slimmer that the Bloom of popular

hour of his weekday radio pro-

pold Bloom, making him more noble than pitiful, and putting Molly's daillance with the bounder Boylan into a quite He opts for a neutral stagewith the anthentic Dublin accents of the supporting cast. Anne Kent as Molly Bloom, Mrs Breen and assorted voices sounds exactly right. Martin Dunne is an inspired Nosey Flynn: be. David Ganley and Frank O'Sullivan are versatile in their various supporting

Theatre/Antony Thorncroft

'Ali': more Islam than ring craft

his illness to protect himself from pestering questions. Gradually as he responds to the audience his current disability is shaken off, and he returns to his youth and his prime, to his joy at winning an Olympic Gold Medal in Roma for the US and his disillusionment with his treatment back home as a black.

recreation room in a neigh-The formula is predictable but workmanlike. The problem hourhood cultural centre in Detroit" in 1989. is that none of the interesting He begins slow and hesitant. bits of Ali'a life are allowed to He is suffering from Parkincome between the man and his son's Syndroma, although legend. There is not a critical Ewing suggests that Ali uses

word in the piece. His relation-ships with women might be considered to be, well, rather sexist, but here the wives are blamed for not becoming enthusiastic Moslems. The arrogance, the political naivity, the money making, above all the fascinating question of how much his illness can be attributed to blows in the ring, are ignored, as are his relationships with his nine children

and his upbringing. The consolation is that Ewing makes e sympathetic All. The physical resemblance

is close enough, especially when he strips down to "float like a butterfly, sting like e bee". A ring dominates the set, and the piece takes off when the fights are re-created, especially the "rumble in the junwith Foreman and the thrilla in Manila" with Frazier. But director Stephen Henderson'a only dramatic effect comes in the fight with Holmes when All's nemesis as a boxer conveyed through flashing lights and klaxons. Ewing seems much more interested in All's commitment to Islam

than in his ring-craft. Ali was undoubtedly terribly

victimised by the government for his refusal to follow Presley into the Army for religious rea sons and this becomes the dramatic finale of the first half. But as the second half opens Ewing dodges this issue. "Why ain't I in gaoi? Because I've got money".

Ali was a great success off Broadway and will appeal to the Ali fan club. Boxing fans could be disappointed in the lack of real meat. Equally dis-eppointed will be those who wanted the inside track on one of the most fascinating charac ters in 20th century entertain-

Mermaid Theatre 071 410 0000



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Valery Panov's new Chekhov ballet, Three Sisters, opens at the Oper on Sat, set to piano music by Rakhmaninov played by Vovka Ashkenazy (repeated Sun, next Tues and Wed). Mon: Ken Russell's new production of Salome with Emily Rawlins, Graham Clark and David Pittman-Jennings. June 24: Placido Domingo sings Otello (773667)

DUSSELDORF

Deutsche Oper am Rheim Tomorrow and Sun: Heinz Spoerli's production of Giselle. Fri and Tues: Fabio Luisi conducts Pet Halmen'e new production of Turandot. Sat and next Wed: Swan Lake (211-8908 211). Duisburg Theatre has Cosi fan tutte tonight, Salome on Fri and Siegfried on Sun (203-3009 100)

COLOGNE

Opernhaus Tonight, Sat: Un ballo in maschera with Andrea Gruber, Taro Ichihara and Paolo Coni.

Tomorrow: Die Zauberflöte. Frl: TanzForum tripla bill, choreography by Jochen Ulrich. Sun: Thomas fulton conducts revival of Willy Decker's production of Billy Budd, with Stuart Kale, Boje Skovhus and Allan Evans, repeated next Tues and Fri (221 8400) Philharmonie Frt. Sergiu Celibidache conducts Munich Philharmonic Orchestra in eymphonies by Haydn and Tchalkovsky (2801)

■ COPENHAGEN

Tivoli Tonight: Pinchas Zukerman Chamber Ensemble plays Beethoven, Mozart and Tchaikovsky. Tomorrow: Yan Pascal Tortelier conducts Danish Radio Symphony Orchestra in works by Hindemith, Rakhmaninov and Bartok, with plano soloist Helene Grimaud. Fri: Aldo Ceccato conducts Beethoven's Eighth and Ninth Symphonies. Mon: King's Singers. Tues: Paavo Järvi conducts Malmo Symphony Orchestra in a Brahms programme. June 26: Walter Weller conducts concert performance of Tannhauser with René Kollo (3315 1012)

■ DRESDEN

Semperoper Tomorrow, Sun, next Wed: Les Contes d'Hoffmann. Fri: Ariadne auf Naxos. Sat: Rakhmaninov double bill, pairing a ballet set to The isle of the Dead with his early opera The Miserly Knight. Tues: Fidelio (484 2731) Kulturpalast Sat and Sun: Günther Herbig, chief conductor of the Dresden Philhermonic in the 1970s, returns for the first time since German unification to conduct the

orchestra in works by Bartok and Bruckner, with viola soloist Tabea Zimmermann (486 6306)

■ FRANKFURT

 André Heller'e gypsy variety show Magnetan opens tonight at Alte Oper, daily till June 27. July 1 and 2: Pierre Boulez conducts London Symphony Orchestra, with Daniel Barenboim and Jessye Norman (1340 400) Michael Boder conducts

Christof Nel's new production of Die Meistersinger von Nürnberg tonight and Sat at Opemhaus (also June 26, July 4 and 11), with Alan Titus as Hans Sachs (236061)

Tom Stoppard's 1973 radio play Artist descending a Staircase can be seen on Sat and Sun at Kammersplel. The Schauspiethaus repertory includes Schiller's Don Karlos and Shakespeare'a Othel and The Merchant of Venice (2123 7444). English Theater Kaiserstrasse has Alan Ayckbourn's Taking Steps, daily except Mon (2423 1620)

HAMBURG

Staetsoper Tonight: Cullberg Ballet presents Mats Ek'e 20th century version of Giselle at the Staatsoper. Tomorrow: Ek's Carmen ballet. Fri and Sat: Lar Lubovitch Dance Company. The next two weeks are otherwise devoted to John Neumeier ballets, including Bach's Matthew Passion on Sat (at Hauptkirche St. Michaelis), Schnittke's Peer Gynt on Sun and the Mendelssohn/Ligeti Midsummer Night's Dream on Tues (351721)Musikhalle Tonight: Sergiu

Celibidache conducts Munich

Philharmonic Orchestra in a Wagner orchestral programme. Sun morning, Mon and Tues evening: Gerd Albrecht conducts Hamburg State Philharmonic Orchestra and Monteverdi Chorus in Verdi's Four Sacred Pieces and Mahler's orchestration of Schubert's Death and the Maiden quartet (354414)

LEIPZIG

Opembaus Tonight: Uwe Scholz's ballet The Creation, music by Haydn. Tomorrow and Sun: Bektra with Deborah Polaski. Frt: Cosi fan tutte. Sat: li trovatore. Tues: Scholz's ballet Symphonies (291036) Gewandhaus Sat: Brigitte Fassbaender song recital. Sun: opera concert with Veriano Lucchetti and MDR Symphony Orchestra conducted by Daniel Nazareth. June 29: Brendel plays Beethoven (7132

■ STUTTGART

LUDWIGSBURG FESTIVAL Frt: Evgeny Kissin plano recital. Sat: Yuri Bashmet viola recital. Sun: Duo Mediterraneo plays dance music from 13th-16th centuries on a variety of instruments. June 23, 24, 25: Rudra Béjart Lausanne presents Bélart's latest dance creation. The festival runs till September 26. Most performances taka place in Theater Im Forum (7141-949610)

■ MUNICH THEATER DER WELT

Munich's World Theatre season runs till June 27, with performances spread around the city's major stages. At Residenztheater, National

Theatra of Cralova, Romania, presents Alfred Jarry'a Roi Ubu tonight and tomorrow, and Shakespeare'a Titus Andronicus on Sat and Sun. Luc Bondy's French-language staging of Ibsen'a John Gabriel Borkman, starring Michel Piccoli, opens tomorrow at Theater im Marstall for four performances. Moscow'a Teatr na Pokrovke gives the first of five erformances of Chekhov'a Three Sisters next Tues at Scholastika. Other groups at the festival are New York-based Wooster Group, Piccolo Teatro di Milano and Théatre de Complicité (Tickets and information from Maximillanstrasse 11, tel

Gastelg Tonight: Daniel Nazareth conducts MDR Symphony Orchestra and Chorus in works by Brahms. Richard Strauss and Ravel, with soprano soloist Gundula Janowitz. Sun: Munich Bach Chorus

performance of Haydn's oratorio The Creation, Mon: Enoch zu Guttenberg conducts Brno State Philharmonic and Chorus in Mendelssohn's Ellah (4809 8614) Herkulessaal der Residenz Tomorrow: Melos Quartet plavs works by Haydn, Janacek and Beethoven, Fri: Ingo Metzmacher conducts Bavarian Radio Symphony Orchestra in Boulez, Massiaen and Zimmermann (299901) **Deutsches Theater Bubbling Brown** Sugar, Harlem musical, daily except Mon (5523 4360)

OPERA FESTIVAL Munich's National Theater reopens on July 1 with e new Bavarian State

Opera production of Lady Macbeth

of Mtsensk starring Hildegard Behrens. Other highlights of this year'a five-week festival Include new productions of Die Frau ohne Schatten and La traviata, plus well-cast repertory performances of Le nozze di Figaro, Don Giovanni, Die Zauberflöte, Cosi fan tutte, Lucia di Lammermoor, Tosca and Die Meistersinger von Nürnbarg (221316)

STOCKHOLM

Drattningholm Tonight, Fri, Mon: Louis Langree conducts John Cox'e Swedish-language production of Zemire et Azore. Next Tues: Langree conducts Drottningholm Theatre Orchestra in a symphonic programme entitled Around the Revolution. July 10: first night of Una cosa rara, opera by late 18th century Spanish composer Vicente Martin y Soler (660 8225) Royal Opera Tomorrow, Fri: Boccaccio. Sat: Die Meistersinger von Nümberg. End of season (248240)

■ STRASBOURG

STRASBOURG FESTIVAL Kiev Opera gives guest performances of Nabucco tomorrow and Fri, followed on Sat by a Strasbourg Phliharmonic Orchestra concert featuring trumpet soloist Maurice André and flute soloist Jean-Pierre Rampal. Next Tues: il seminario musicala presents sacred music by Pergolesi and Scarlatti. Next Thurs: first of four Opéra du Rhin performances of Cosi fan tutte. Next Fri: Alfred Brendel plays Schoenberg's Piano

Concerto (8832 4310)

ARTS GUIDE Monday: Berlin, New York

Tuesday: Austria, Belgium

Netherlande, Switzerla Chicago, Washington. Wednesday: France, Germany, Scandinavia. Thursday: Itely, Spain Athens, London, Prague. Friday: Exhibitions Guide. European Cable and Satellite Business TV (All times are Central European Time) MONDAY TO THURSDAY Super Channel: European Business Today 0730; 2230 Monday Super Channel: West of Moscow 1230. Super Channel: Financial Times Reports 0630 esday Super Channel: Financial Times Reports 2130 Thursday Sky Naws: Financiel Timee Reporte 2030; 0130 Friday Super Channel: European Business Today 0730: 2230 Sky News: Financial Times Reports 0530 Saturday Super Channel Financial Times Reports 0930

Sky Nawa: Waat of Moscow 1130; 2230 Sunday Super Chennel West of Moscow 1830 Super Channel: Financial Times Reports 1900 Sky Naws: Wast of Moscow 0230: 0530 Sky News: Financial Times Reports 1330; 2030

aving energy is generally far cheaper than huilding new power plant, but convincing consumers of this simple and ohvious message takes effort and skilful persuasion.

However, a Canadian company has taken on the task of preaching the virtues of power conservation to utilities and energy users around the world. Its scheme has attracted more than 25 utilities, from Mexico to the Czech republic, and others are expected to join soon.

Power Smart began as the energy conservation initiative of British Columbia Hydro, the government-owned utility. The company spent C\$60m (£30.7m) developing a wideranging package of programmes for its own use, and then realised it could do even better if it worked with other utilities.

BC Hydro found that the province's population of 3.5m was not enough to interest manufacturers to go along with its plans. They were reluctant to take the trouble to meet BC Hydro's standards for products such as energy-saving motors, low-power refrigerators or high-efficiency insulation, and then face the same process for the next utility down the road.

So BC Hydro set about bringing other utilities into its scheme. It transferred its conservation expertise into a separate company – Power Smart – two years ago.

Now, most of Canada's electrical

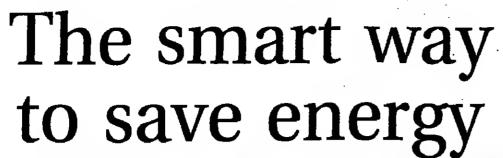
Now, most of Canada's electrical utilities have signed up, and Power Smart is optimistic about further expansion in eastern Europe, South America and the US, all areas which already have one or more members. In March, the firm signed up its second US member, American Municipal Power-Ohio (AMP-Ohio), which supplies electricity to more than 77 communities.

The utilities which have joined vary widely in size. BC Hydro has a capacity of more than 10,000MW, mainly from hydroelectric dams, and supplies more than 1.3m customers. The smallest member, Caribbean Utility Company, on Grand Cayman Island, uses diesel generators with just TIMW of capacity for 12,600 customers.

But they all face the same simple economics – it is nearly always cheaper to encourage users to save a kilowatt bour of electricity than it is to build the capacity to generate an extra kilowatt hour. At BC Hydro, which has low power costs, it is estimated to be five times more expensive to increase capacity than to save energy. Nor does the strictly financial cost of expanding capacity include the strains that generating electricity places on the environ-

ment.

The generic term for schemes such as Power Smart is demand-side management. Once a typical programme is up and running, most



A Canadian company is showing utilities the virtues of power conservation, writes **Stephen Wisenthal**

of the money is returned to customers in the form of rebates, customerhelp lines and other types of service says Tom Cave, Power Smart's director of energy services.

Short-term financial incentives are used to overcome customars' resistance to the higher initial cost of energy-efficient equipment, but the benefits - to the customer and the utility - last much longer. And a crucial component of the programme is marketing.

"To get past the engineering barriers, yon have to get people to think about conserving energy. The most powerful energy-saving technique of all is changing people's attitudes, and changing attitudes is essentially a marketing function," says Cave.

Under the umbrella of demandside management, different utilities have widely varying goals. Utilities in developed countries usually want to discourage consumption across the board - for industrial, commercial and individual customers.

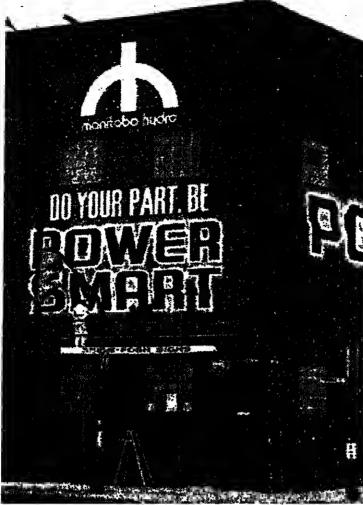
In eastern Europe, on the other hand, the problem is seen as too much consumption by industrial users and not enough by residential consumers. Governments there want citizens to have refrigerators and other items which improve the quality of life, says Eric Cardey, a vice-president at Power Smart.

Another important driving force behind conservation in eastern Europe is to preserve the environment. Much of the region's electricity is generated from low-grade coal, which contains up to 3.5 per cent sulphur and creates considerable pollution.

Unfortunately, conservation cannot be the region's only concern.

Large generating complexes were built under the communists to serve industry. Industrial demand, particularly for military production, has fallen off – but they have to keep selling the electricity to cover the cost of running the power plants they already have.

Yet governments in eastern Europe are taking a longer term view about residential consumption. "If they don't get energy efficient now, because there is so much retrofitting and new construction



Manitoba Hydro, a Power Smart member, paints the scheme's logo on its building

taking place, they're going to miss the boat," says Cardey.

And the Czechs and Slovaks have realised the importance of marketing in achieving these goels. When they joined Power Smart, they obtained the right to use the name and logo in their advertising and access to programmes for everything from low-energy water heating and lighting to efficient air compressors and even buildings.

As an indication of the sort of success they can hope for, Cardey

cites the promotion of the use of energy-efficient motors in British Columbia. The motors have a higher cost, which pays for itself in 1.5 to two years through energy savings. The average market share for high-efficiency motors for manufacturing use in North America is 3 per cent. In British Columbia, that share has been increased to 75 per cent since the Power Smart programme began.

Arthur Geikle, president of Power

Arthur Geikle, president of Power Smart, says the strength of his company's programme is that it offers a complete range of conservation plans – for residential, industrial, commercial and institutional users. Being a member of Power Smart

Being a member of Power Smart allows small ntilities to take advantage of research they could not afford, he adds. For an annual fee ranging from

C\$10,000 for a utility with fewer than 10,000 customers to C\$75,000 for a million or more customers, Power Smart provides the right to use its logo in promotional materials. The utilities can also pick from a "library" of tested and proven ideas and, perhaps just as importantly, avoid costly mistakes.

Given the importance of marketing in encouraging conservation, the Power Smart brand name is seen as a key element, providing a shorthand for manufacturers and consumers to rally around. Even in non-English speaking countries such as the Czech and Slovak republics, the English language logo is used alongside a translation.

The company endorses products, allowing manufacturers to use the Power Smart logo on qualifying items and making it easy for consumers to identify energy-efficient choices.

A large number of Canadian suppliars are already involved. And companies such as Philips, the Dutch electrical concern, and Tungsram, the Hungarian subsidiary of General Electric of the US, are looking at certification for some of their products.

Power Smart has carried out consulting work in countries, including Costa Rica, Peru, Thailand and Russia, which have little or no history of demand-side management and which it is hoped will sign up as members in the future.

utilities in developed countries have tended to be a harder market. They usually already have some kind of demand-side management in place, and it is more difficult to convince them of the benefits of banding together.

Western Europe has less need for help, largely because electricity prices have been very high for a long time. "Europeans seem to have positive attitudes already," says Cardey. For the future, Power Smart hopes to continue expanding. It has signed up its first gas utility and hopes to add more.

In the long run, Power Smart expects regions where a number of utilities have signed np, and achieved "critical mass", to become more autonomous, sharing resources within the region with counterparts which have similar concerns.

If BC Hydro, with some of the cheapest electricity in the world, can justify spending money to reduce consumption, anyone can, says Cardey. The EC's green badge scheme is in disarray, says Peter Knight

Eco-label still not sticking

ext month, the EC Commission launches its ecolabelling scheme without a single product displaying the much-awaited badge of environ-

mental approval.

The Commission's original intention was to have at least five labelled products in the shops before the launch. Instead, the scheme is in disarray. Some countries such as Ireland and Portugal have failed to set up the necessary organisations to administer the label. Others like France and the Netherlands appear to be developing national schemes in preference to the EC's.

Some manufacturers are threatening a boycott and environmental groups complain that their
views have been suppressed in
favour of industry's. "Anyone can
punch holes in the scheme. The
really hard task is to find solutions and not just look for problems," says Julia Halles, the environmental consultant on the UK
Eco-labelling board.

Rach country was supposed to set up a national board to organise and administer the label. The UK board is known to be critical of the Commission's level of commitment to the scheme.

The idea of an KC-wide scheme was developed in the late 1980s in response to consumer pressure for an official stamp of approval on goods with a reduced impact on the environment. "We have suppliers who are trying to reduce this impact and want to tell our customers about it," says Alan Knight, environmental co-ordinator at B&Q, the UK do-it-yourself chain.

"But because most of our customers won't believe environmental claims made by manufacturers, an official eco-label is the best solution," he says. Experience with environmental labels in Germany, Canada and the Nordic countries showed that manufacturers could gain market share and possibly charge more for approved goods.

The EC hoped its label would satisfy demands from consumers and encourage industry to improve its environmental perfor-

PEOPLE

mance. But the scheme ran into tronble. Methods for judging products were inadequate and created disagreements within industry and between environmental groups and manufacturers.

At nne stage, it was decided that paper products with high proportions of recycled material would be favoured at the expense of those made with virgin pulp. This npset pulp suppliers who argued that recycling paper was not necessarily the best environmental option.

Recently, environmental groups have begun to press for the exclusion of products tested on animals. They say this must be a criterion but the label's administrators say animal testing is covered by other EC laws.

The Body Shop, a maker of personal care products which campaigns against animal testing, has threatened to boycott the scheme unless animal testing is included in the criteria.

The confusion and delay has disillusioned some manufacturers. Electrolux and AEG will continue to support the scheme and apply for labels, but Hoover is concerned that environmentalists are gaining too much say.

Hoover might not apply for a label for its washing machines. Bosch is undecided. The European Lighting Council has withdrawn from the negotiations to establish a label for light bulbs.

Manufacturers are also dismayed at the amount of red tape the scheme has encouraged. Details on the only product category so far to get the official nod—dishwashers and washing machines—have yet to be published in the EC's Official Journal, Publication is about three months behind schedule because the various Brussels departments are taking so long to process the paperwork.

"The one good thing is that the scheme has at least encouraged manufacturers to pay attention to environmental issues and improve their products. This is good for the environment, even if they decide not to apply for a label," says Hailes.

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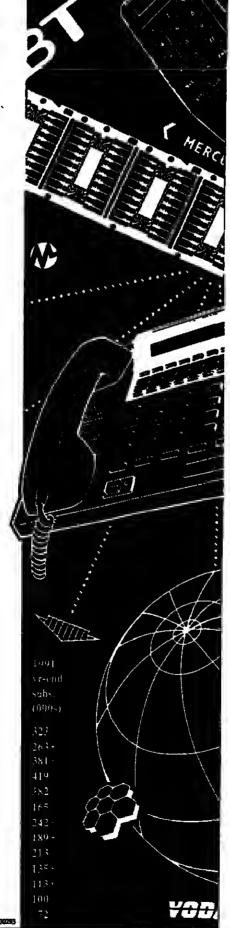
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C&W veterans prolong their stay

Two Cahle & Wireless directors, 54-year-old Brian Pemberton and 57-year-old Tom Chellew, who between them have clocked up 58 years at the telecommunications group chaired by Lord Young, are retiring in July, but both will retain consultancy roles

on a renewable annual basis.

The continuing association with C & W contrasts with the departure in early 1992 of Peter van Cuylenburg who saw his hopes of becoming chief executive dashed when James Ross was brought in from BP.

was brought in from BP.
Pemberton, who joined the company in 1957, was responsible for restructuring the Hong Kong business during the 1980's. At one time he had seemed a possible successor, in the chief executive seat, to Sir Eric Sharp, but he was eclipsed by Gordon Owen, who then resigned after a power struggle on the arrival of Lord Young.

by Gordon Owen, who then resigned after a power struggle on the arrival of Lord Young. There is no suggestion of any continuing rankle, however, and after the arrival of Ross, Pemherton had bean made international director encompassing C & W's international network and the marine division as well as North America

and Australia.

The regional responsibilities of Chellew, meanwhile, tended to prompt the question from envious colleagues as to what he did for his holidays. On joining C & W in 1971, his expertise was the Caribbean; after the Ross reshuffle he looked after the Indian Ocean, Africa and the Middle East, and the Pacific Islands in addition to the Caribbean.

As Pemberton and Chellew will not be replaced, the top management team will now consist of five executive and five non-executive directors in addition to the executive chairman Lord Young.

man Lord Young.

C & W was unable to specify how much time each departing director would continue to devote to the company. However, both remain on a number of subsidiary boards in their areas of expertise – Pemberton for the Asia Pacific region and Chellew for the Caribbean.

Nor are they quite the last of the old C & W hands, despite the considerable changes in management wrought since the arrival of Lord Young. Mike Gale joinedthe companyin 1959.



Peter Courtney, 60. who two years ago took early retirement from Boots where he had been group finance director, becomes non-executive chairman of Yorkshire Building Society, Britain's 12th largest society.

He succeeds Denis Macnaught, the former chief executive between 1975 and 1987, who is now stepping down from the board at the age of 66. "Macnanght is a retiring Scottish accountant; Couriney is also a chartered accountant but a very different personality" says a Yorkshire Building Soclety spokesman, who adds that "no deliberate change of style is belng

courtney, who has been on the society's board since he left Boots, is also a director of Throgmorton Trust and

Transfer Technology recruits Bill Hayden

Transfer Technology, the fast-growing specialist engineering company headed by Labour MP Geoffrey Robinson, has recruited Bill Hayden to the board as its third non-executive director. Rhys Williams, chairman of the council at the University of Warwick and until recently a director of GEC, who has just been co-

opted to the board.

Hayden, the former Ford of Europe manufacturing director, spent his last two years before retirement as chairman and chief executive of Jaguar, famously comparing factory conditions at Ford's new prestige acquisition to plants he had seen in Gorky. Robinson is perfectly familiar with Jaguar, having been chief executive at just 35 in the mid 1970's when he remembers luring away a number of Hayden's key men. As it is, Ford is hy far TransTec's biggest customer on the car components side, buying 75 per cent of the company's manufacturing output for the auto-

motive industry.

A principal reason for hiring Hayden, who lives just 20 minutes away from the TransTec's Coventry office, is his knowldege of the Japanese market and his ability to deal with Japanese car makers, according to finance director Neil Logue.

A leading authority on Japanese work practices, Hayden was the author of a paper "BJ AJ" – Before Japan, After



Japan – written after a seminal visit to the country in 1979. At a time when it was still notably difficult for foreigners to divine much about Japanese manufacturing techniques, Hayden had come back "shaken" by the competitive gulf between Europe and Japan, and resolved dramatically to improva Ford's efficiency.

Robinson has said that he

will split the role of chairman and chief executive at some point during the next 18 months.

"All the non-executive direc-

tors are possible chairmen" says Logue "but Hayden would fit the bill very well."

Hayden is also on the board of automotive design engineer Hawtal Whiting.

Kleinwort's wolf man turns on L. America

Old Etonian Roger Palmer, whose private wolf pack has often had more publicity than his share tips, has bung up his hat after five years as Kleinwort Benson's chief investment

Palmer, 46, a former partner of Grieveson Grant before it was taken over by KB, has been picked to head his firm's move into the market for emerging Latin American securities. Whilst almost all of the major North American brokers are active in this market, it is a relatively new departure for a London broker.

However, Palmer says that it takes as long to fly to Buenos Aires from New York as it does from London, and KB is keen

to capitalise on its corporate finance connections in the region. It is one of the co-lead managers of the partial privatisation of YPF, Argentina's state-owned oil company.

Albert Edwards, 32, Palmer's

deputy for the last four years, takes over as global investment strategist. After three years at the Bank of England, he moved to Bank of America's Investment Management arm, before joining KB in 1988.

Palmer is the latest state.

Palmer is the latest global investment strategist to switch jobs. Lisa Hosking, a member of Warburg's number one rated team, moved to CSFB a year ago, and James Capel's Alastair Ross Goobey laft to head Postel.

ince the beginning of this month, staff at the Yokohama town hall are being urged to conduct meetings

standing up.
To help them, the City Office has built a new conference room which instead of tables and chairs, is furnished with 16 podia. The new conference room was the result of mounting concern among Yokohama city staff over the number of meetings held each day and the amount of time each one took. If meetings were held standing, city officials reasoned, they were bound to finish sooner.

A growing number of Japanese companies are similarly looking for ways to improve efficiency among

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Shiseido, the Japanese cosmetics company, has set aside two hours each day as "concentration time". Staff at the Tokyo head office do not attend meetings or answer the telephone during that period. Instead, a few members of each divi-sion take turns to man the phones allowing their colleagues to concentrate on the work in hand.

Shiseido launched the scheme in April after it discovered that interruptions during the day from tele-phone calls and meetings were the main cause behind the need for staff to work overtime.

The scheme is part of a wider programme aimed at improving productivity among its office staff. Shiseldo hopes to reduce the num-ber of overall working hours from the current 1,920 to 1,860. This may not seem much, but in Japan any reduction is highly unusual.

Toyota, the car manufacturer, is also implementing a programme this month which aims to raise productivity among office staff by 30 per cent. The company plans to achieve this by requiring divisions to re-direct 20 per cent of staff time to new businasses and, for the remaining 10 per cent, by reducing working hours.

What has triggered this growing concern with raising productivity is the economic slump, which is one of the worst for the country since the end of the second world war. Company profits in Japan, announced last month, were down for a third

consecutive year. Against this environment, a preoccupation of Japanese company managers has been the need to ensure profitability even while markets are not expanding. Since it is socially unacceptable in Japan to make large redundancies, one way to maintain profits in sagging markets is to raise productivity.

Office workers have become a target of this productivity drive because, while Japanese companies are recognised for their achievements in raising productivity on the factory floor, they have not had

Japanese companies are looking for

ways to improve efficiency in the office, writes Michiyo Nakamoto

oration



lar workers in the past few years

Between 1955 and 1991, the num-

ber of professionals and engineers employed by Japanese companies

grew by 385 per cent, that of managers by 280 per cent and clerical

workers by 326 per cent, the Japan

Productivity Centre found. This

compares with 111 per cent growth

in the number of skilled workers.

The Bank of Tokyo estimates white-collar workers accounted for nearly 70 per cent of the rise in the

number of employees between 1986

when the economy was surging.

similar successes in the office. Between 1976 and 1990 the production costs incurred by all listed Japanese companies fell 5 per cent, largely as a result of improvements on the factory floor, says Kuniyoshi Sasaki at the Japan Productivity Centre. Meenwhile all-non-manufacturing costs - those related to administration and marketing -

rose 33 per cent Another reason why concerns about productivity are targetted at the bead office rather than the factory floor is that most Japanese companies took on many white-col-

Standing

duction process is reviewed and work is re-arranged accordingly to

similar efficiencies.

"There is a need for office work engineering," Sasaki says. Office automation has not been accompanied by a reorganisation of work pat-terns which would raise productivity. If anything, he says, the volume of paperwork has increased.

While a return to better times may blunt current enthusiasm for productivity increases in the office. the labour shortages expected in Japan early next century mean companies may have to come up with solutions now. However, Sesaki does not expect a dramatic improvement in the foreseeable

maintain employment levels even if that means excess labour among companies. Government subsidies pay for the salaries of workers sec-onded to subsidiaries, those who are asked to stay at home for lack of work, or who need to be re-trained to do other work.

Personnel costs have been creeping up, from 11 per cent of revenues five years ago to 12 per cent last year according to the Ministry of Finance.

Sasaki lists several problems which must be tackled if productivity in the Japanese office is to be

 Too many meetings. Sasaki attri-butes this to the "village society" mentality that still rules in Japanese companies. One reason for Yokohama City Office's standingonly conference room is because it discovered that city staff spent too much time there. According to its research, 200 conferences are held on average by City Office staff per day, with each conference averag-

ing two hours 25 minutes.

The situation has even led the City Office to publish a booklet on bow to cut down on meetings, which suggests they should not last longer than one hour on average, and that briefing papers should be restricted to a maximum of three.

Currently, says Sasaki, whenever something happens everyone meets to discuss it. There then has to be a more informal get-together, followed by drinks and so on.

• Unclear responsibilities. Multiple

management lavers in Japanese companies mean It is often difficult to know where responsibility for particular decisions lies. For example, the department head is usually responsible for the

department's activities, but it is the divisional head who is actually involved in day-to-day issues.

● Ineffective use of office equipment. When a new machine is introduced in a factory, the whole pro-

raise productivity.

But in the office, the wider use of PCs and copiers has not resulted in

The government's policy is to

A sympathetic ear in the office

Employee counselling schemes are helping to make the workplace happier, reports Peggy Hollinger

senior administrator in a London bank had spent several years successfully climbing the corporate ladder. Yet over a period of six months he began to experience headaches, a poor appetite and eczema. Demoralised, he started scanning the employment pages

for a new job. His departure might have cost his employer thousands of pounds, as it sought to train a replacement candidate. Yet due to confidential counselling paid for by the bank, which identified symptoms of stress due to a difficult relationship with a superior, he remained and was soon promoted

to a more senior position. A female employee in a computer firm faced similar problems. Yet after a few counselling sessions, she is back at work and enjoying a better relationship with friends and

"My friends say I have changed a lot, become a lot more outgoing and assertive," she says. Employee Assistance Programmes (EAPs) are run by 80 per cent of the top 500 US companies. In the UK, EAPs are also becoming an increasingly popular employment benefit.

particularly in the banking,

pharmaceuticals and financial services industries. Since the late 1980s some 150 UK companies are estimated to have taken up comprehensive EAPs and the rate of participation is increasing, according to providers.

Groups as diverse as Whitbread and Mobil Oil are among converts to the advantages of providing confidential counselling to employees and their families throughout their working lives. The counselling programme, usually contracted out to an

is often part of an occupational health programme. Employees and (where appropriate) their families are generally given a card with a number to contact a counsellor either for telephone or face-to-face

independent firm of specialists

The service may cover problems ranging from depression to debt, or stress arising from difficulties at home or in the

workplace The argument for introducing such a programme may not be immediately apparent to frontline managers more concerned with the day-to-day job of surviving the recession. Improving the general sense of well-being among employees is likely to be lower

on the list of priorities. However, with recession forcing companies to cut staff, the pressures on those who remain has never been greater.

Ian Anderson, community investment manager of Whitbread. is adamant his company's experience is solid proof of the

The service may cover problems such as stress arising from difficulties at home or in the workplace

benefits which EAPs can bring. He claims that "the EAP has been a major factor behind our success in retaining managers".

Since introducing it on a trial basis in 1988 in conjunction with the EAP firm, Focus, Whithread now offers the facility to all employees and their families. It estimates that about 5.5 per cent of its workforce uses the programme, with the most common concerns being work and family related.

Anderson believes the EAP has helped to improve the efficiency of employees and encourage a happier workplace. "If they have problems, they will be careless, ba says. The company is also likely to experience problems of absenteeism and "general lateness". However, says Anderson, EAPs had helped "to nip such problems in the bud". Mobil Oil, which uses the

24-hour service provided by Personal Performance Consultants considers its EAP to be an essential element of its health

and safety programme. Initially introduced to deal with the problems of its off-shore employees, many of whom are away from their families for two weeks each month, the facility has been expanded to cover 3,000

workers around the country. John Cooper, Mobil's group medical adviser, stresses the importance of mental health at work, particularly in the off-shore industry. "If you are not functioning at 100 per cent, then

you are a safety risk," he says. Employees with problems will either refer themselves or can be referred by managers. If referred, it is up to the employee to decide

whether to take up the offer. The counselling will then remain confidential. Both Anderson and Cooper stress the need for this, although the company pays a price by receiving few statistics on use

of the programme. The lack of statistics makes the payback difficult to determine. In the US, where EAPs bave been accented practice since the 1940s. statistics are easier to come by. The aerospace group McDonnell Douglas is often cited as a company which has seen tangible

The initial costs of setting up an EAP are likely to be incurred in commissioning an outside counselling firm or hiring one m-house and printing the

promotional literature. On average, hiring an external counselling service will cost a company between £15 and £30 per employee, depending on the complexity of the programme,

Companies must be prepared to invest in training management to spot potential problems, and appoint at least one person to oversee the day-to-day running of the programme.

Whitbread supports its EAP with posters, brochures and regular

"It is no use launching a programme with great razzamatazz and expecting your staff to remember its existence," says Anderson.

"Like any other service, it needs marketing."



Ind Nestlé choose Citibank than any other bank.

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Nadir 'most unlikely' to return and face trial plant set to

and David Owen

MR ASIL NADIR is "most unlikely" to return to Britain to face trial this September it emerged yesterday, as the Conservative party pledged to return money donated to it by the fugitive businessman if it

proved to be stolen.
In the first court hearing before Mr Justice Tucker since the former Polly Peck chairman jumped bail and fled to northern Cyprus, the Serious Fraud Office also ruled out any trial of Mr Nadir in his absence. However, the SFO announced its intention to continue criminal proceedings against Mr John Turner, the former Polly Peck group accountant facing false accounting charges.

Conservative party officials promised that the £440,000 donated to party funds by companies associated with Mr Nadir would be repaid if it were proved that the money had been stolen. They denied reports that Mr Nadir had

Complaints

from men of

COMPLAINTS about sex

discrimination at work soared

by nearly two-thirds last year.

with men, for the first time,

forming a large proportion of

those claiming that companies are discriminating in their hir-

The Equal Opportunities

Commission, which published

lts 1992 annual report yester-day said there had been a 64

per cent increase over the pre-

vious year in complaints about

workplace discrimination. The

most common allegations con-

cerned recruitment, terms and

Of 1,253 complaints about

companies' hiring policies, 40

per cent were from men, said

the EOC. Ms Valerie Amos,

chief executive, said the reces-

sion had made men "much

more aware of their rights".

conditions, and sexual harass-

ing policies.

made other secret donations to party funds. In an unusual statement released last night. the party said it received a total ol £440,000 over five years, with the last contribution made in March 1990.

"These donations were not made by Mr Nadir personally but hy Polly Peck International plc or Unipac Packaging Ltd." it said. "We know of no other donations from Mr Nadir personally or from his companies." Asked about allegations that Mr Nadir might have hoped the donations would secure him a knighthood, party officials sald no one had received an honour because they had given money to the Conservative party. The sale of honours would be a criminal offence, they said.

In a crowded Old Bailey courtroom, Mr Anthony Scrivener QC. Mr Nadir's barrister. said he had taken instructions from his client at 4pm on Monday. "It is most unlikely he will be here for trial in September. I do not propose to give reasons in open court," he said.

Accepting the position, Mr Robert Owen QC, for the SFO, ruled out any suggestion of putting Mr Nadir on trial to his

The judge also adjourned consideration of the possible forfeiting of Mr Nadir's £3.5m bail sureties. The ownership of the £2m security put up by Mr Nadir himself is currently the subject of an action in the Chancery division of tha High Court between Touche Ross, the administrators of Polly Peck, and the Imperbank, a Turkish bank once owned by Mr Nadir. The judge ruled that any decision on the £2m should be postponed until the High Court had ruled on the owner

ship of the money. He also adjourned discussion of the possible forfeiting of the other sureties put up for Mr Nadir. These were provided by Mr Ramadan Guney, who stood a surety of £1m and Mr Nadir's ex-wife, Ayesha, who provided a £500,000 surety.
The trial of Mr Turner has

now been put back until Octo-

Chairman hits at sex bias soar male work culture

By Diane Summers,

THE MALE culture of long. unsociable working hours is damaging women's career prospects, says Sir Christopher Tugendhat, chairman of Abbey National.

The message was echoed by Mr John Collins, chairman and chief executive of Shell UK, who said that "jackets over chairs" for 18 hours a day could indicate that a company was working inefficiently.

Men in the UK work longer hours than males in any other part of the European Community, according to research by the Equal Opportunities Commission. Nearly 42 per cent of men work more than 46 hours a week, compared with 23 per cent in the EC as a whole.

In a speech on equal opportunitles Sir Christopher plans to deliver to the Industrial Society's women's network tonight. he will say: "Up till now, the workplace has been predominantly male-oriented. There has been a perception that to succeed one has to be tough, to work long and erratic hours, and to be willing to travel, to stay away from home, to move house and even sometimes country. These requirements have tended to favour the hiring and promoting of men

rather than women. Mr Collins said: "I don't want to encourage a culture where people are rushing around trying to achieve too much to the detriment of the quality of their work. That starts with the chairman -

Thorp win go-ahead

By Bromwen Meddex

THE THORP nuclear reprocessing plant at Sellafield should get the go-shead provided that remaining environ-mental and legal questions can be settled, Cabinet ministers argued yesterday in their first formal discussions about the plant's future.

The government is likely to issue a paper in the next few weeks setting out the case for British Nuclear Fuels' £2.8bm plant, the most contentious environmental decision facing the government

Mr Paddy Ashdown, leader of the Liberal Democrats, yesterday wrote to Mr John Major, prime minister, to expres grave concern at the national and international implications" of giving the go-ahead to Thorp, which would reprocess used nuclear fuel Into reusable uranium and plutonium. The plant has taken nearly 10 years to build and is waiting for a government licence to start

Thorp's futura appears unlikely to be hrought into the review of the nuclear power industry, due to start in the autumn. That would have postponed a decision - originally expected by BNF in January for months

Yesterday'a Cabinet discussions, which Mr Major did not attend, focused on the potential earnings from the plant. BNF has argued that Thorp will earn £900m for the UK in the first 10 years of operation and that each week of delay costs £2m

The final decision falls to Mr John Gummer, the new environment secretary, who is a known supporter of the nuclear power industry.

BNF responded angrily to lull-page advertisements yesterday in UK national newspapers taken out by Japanese pressure groups. The group, Japanese Citizens concerned about Plutonium, claimed that the Japanese power utilities, Thorp's biggest overseas customer, no longer wanted the plant to go ahead because it was accumulating too much

One in five 21-year-olds innumerate

ONE IN FIVE of the UK's 21-year-olds are innumerate, while one in seven are illiterate, according to research by the Adult Literacy and Basic

These people were classified functionally innumerate or illiterate after a 30-minute assessment of their skills, not because they could not read or add up at all, but because the requirements of industry have

Mr Peter Davis, chairman of the unit, said: "Even very simple jobs are becoming more complex. Skills need to rise and the needs of employers are rising generally faster than the people's skills."
The unit suggested that an

extra 25 per cent needed help with literacy, while an extra 83 per cent needed help with mathematics.

These questions were given to 21-year-olds to test numeracy. Calculators were allowed.

● Two items are bought for a total of £17.89. You hand over £20. What is your change? Pifteen per cent got the answer wrong. ● You buy a 24,900 car over three years. You must pay a 10 per cent deposit. What is the deposit? Twenty-three per cent wrong. ● You pay £4,410 over three years, paying monthly. How much do you have to pay each month? Seventy-six per cent wrong.

The survey, the most detailed of its kind yet mounted in the UK, broadly confirmed previous estimates that around &m adults in the UK have difficulties with their basic skills, and that 40 per cent of teenagers entering fur-ther education needed remedial help with basic skills.

It showed that 21 year-olds with poor skills were much more likely to be jobless - 35 per cent of men with low literacy, and 25 per cent with low numeracy were unemployed, despite an overall figure for the sample of 13 per cent.

Mr John Patten, the education secretary, addressing the unit's annual conference, announced that he was granting an extra £250,000 for pilot schemes in family litaracy. These mirror schemes to improve literacy in the US.

He pointed to the unit's finding that poor literacy and numeracy correlate atrongly with poor basic skills in parents. Of those whose parents were in the lowest attainment group, without educational qualifications, 61 per cent had low literacy scores and 52 per cent low numeracy scores.

improved, they would be more likely to pass them on their

children, Mr Patten said. He also claimed that the adult illiteracy problem "shows why it is essential to press ahead with testing" in schools. He said: "We cannot afford to wait until our pupils become adults before we identify and

tackle their needs." Mrs Ann Taylor, Labour's education spokesman, said: After 14 years of Conservative government the situation is clearly worsening. Government policy reinforces disadvan-

The survey was conducted in 1991 by City University, who interviewed a representative sample of 1,650 people born between April 5 and April 11, 1970. It excluded dyslexics, people for whom English was not a first language and those with mental disabilities.

Britain in brief demand for an apology to be published. It said the adver-



ICI refuses to apologise on CFC ad

THE Advertising Standards Authority upheld four out of five complaints brought by Greenpeace, the lobbying group, against Imperial Chemical Industries.

The complaints related to ICI's claims concerning the environmental impact of Klea 134a, its substitute for CFC

The rulings are a significant embarrassment for the British group. It has invested more than £250m developing the substitute for CFCs.

Greenpeace complained ICI had exaggerated the extent to which ICI's CFC substitute -Klea 134a - would contribute to global warming. The claims were published last October In The House Magazine, distributed to British MPs and partiamentary staff.

In spite of the ASA rulings, ICI rejected Greenpeace's

tisement had been factually correct, any changes required were essentially semantic, and that the ASA had agreed the company had not intended to

The ASA, an independent watchdog over printed adver-tising standards, supported ICI's claim that the direct impact of Klea 134a on global warning was 90 per cent less than that of the CFC it

Amec wins rig deck contract

Phillips Petroleum Company UK announced it has awarded Tyneside-based Amec Offshore a £55m contract for fabrication of a 9,800 tonne integrated deck for the Judy platform in the North Sea.

Phillips, operator of the £765m Judy-Joanne oil and gas field development, a joint venture with Agip UK and British Gas Exploration and Production, said Amec clinched the contract against stiff international competition.

Amec Offshore, whose Tyneside payroll has dropped from its 4.000 peak a year ago to 1,500, welcomed the order as a "breathing space" while forther cost cutting measures are

Recovery cuts company funds

The short-term liquidity position of Britain's large mannfacturing companies deteriorated in the first quarter of this year, indicating that growing manufacturing production was taking a toll of their readily availabla

The ratio, measuring current assets maturing in less than a year as a share of liabilities that have to be repaid in less than a year, was the lowest since the first quarter of

The Central Statistical Office said the seasonally adjusted liquidity ratio for large manufacturing companies fell to an estimated 95 per cent at the end of March from 101 per cent in the previous quarter and a recent peak of 121 per cent in the first quarter of last

Audit reform a 'labyrinth'

Companies are being bom-barded with far too many demands for reform of accounting and auditing, the chairman of a group of leading finance directors said.

Mr Michael Lawrence,

finance director of Prudential and chairman of the 100 Group of finance directors, told a Confederation of British Industry conference in London that there was a "huge labyrinth" people were struggling to find their way through.

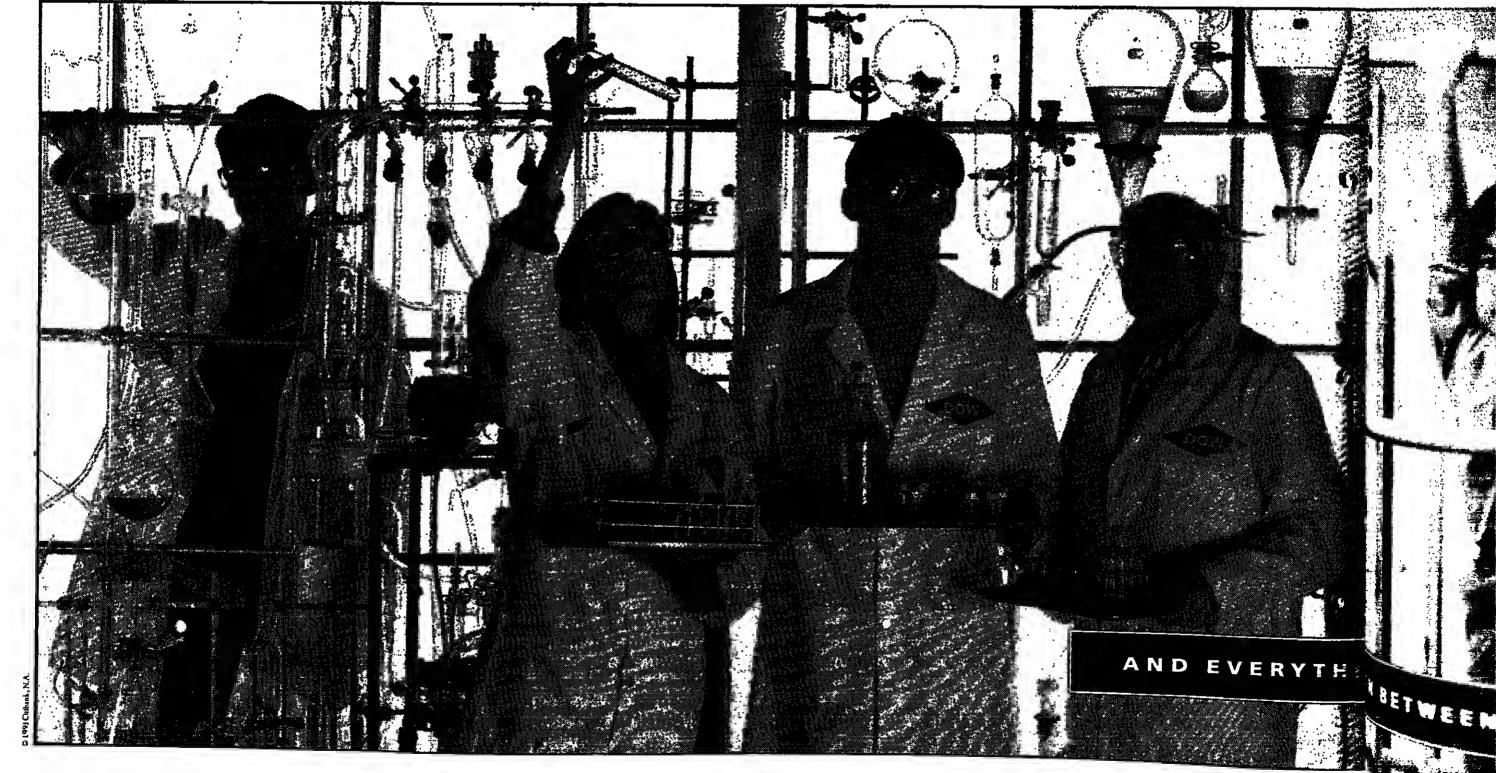
We are concerned about the volume of material being produced and the numbers of bodies becoming involved," he told tha employers' organisation

"Many chairman and chief executives will hegin to lose patience with all this. They will see time and energy being spent by self-interested bureaucracies producing sheaves of requirements. The good and the essential will be criticised along with the unnecessary

Firefighters to meet over pay

Local authority employers will meet representatives of the Fire Brigades Union later this month in an attempt to dampen the threat of indus-trial action if the firefighters pay formula is not restored next year.

Firefighters are one of the lew groups of workers who have the power and, poten-tially, public support, to challenge the government's 1.5 per



From chemistry to candy bars, more global companies like Dow

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Debate urged on Bank independence

MR LEIGH-PEMBERTON, the outgoing governor of the Bank of England, last night called on politicians, academics and the City of London to consider how the Bank might be given more independence while staying

accountable to parliament. In cantionaly worded remarks, he suggested that thought should be given to devising a "form of accountability that might enable us to have the advantages of a more autonomous central hank within the constitutional arrangements of our parliamentary democracy".

In his valedictory speech to the City of London before stepping down after 10 years as governor of the Bank of

Governor calls for review of status for central bank, preserving its accountability to parliament

month, Mr Lelgb-Pemberton said he recognised "along with the prime minister, that any change to the current status of the Bank of England could pose a dilemma in the UK with our long tradition of parliamentary accountability on the floor of the House by a Minister of the Crown."

But in his address to the Lord Mayor's banquet, he added: "I think all of us - politicians, academics, ourselves in the City - will need to consider how this dilemma might be reconciled."

Mr Leigh-Pemherton has made no secret of his belief that central bank indepen-

dence can belp countries achieve low inflation.

In his remarks last night, be was taking up comments made by Mr John Major last week in the Commons in which the prime minister indicated that he might be in favour of central bank independence "were a way to be found to get the benefits ... without the loss of parliamentary accountability.

However, last night, Mr Kenneth Clarke, chancellor, made clear in his "Mansion House" speech that he did not intend to rush into a debate about giving more autonomy to the Bank.

Meanwhile the Lord' Mayor

of London, speaking at the banquet, called for a national levy on businesses to belp pay for the dramatic premium

terrorism. Lord Mayor McWilliams said: "If the country as a whole wishes to continue to benefit from the city's contribution to the national wealth surely it is right that the country should share some of the costs."

increases needed to buy City

firms insurance against acts of

Guests at the Guildhall also heard that the London Stock Exchange is studying the creation of a "second level" market for smaller companies which would have lower listing

and regulatory requirements. Sir Andrew Hugh Smith, chairman of the stock exchange, said that finding ways to direct capital into smaller companies was an important task for the government and the Exchange.

The Exchange is said to have set up a panel to look at the creation of an alternative to the Unlisted Securities Market. due to be closed in several

Sir Andrew said that simple creation of a trading exchange for smaller companies was not enough to spur greater invest-

He said the government must alter the tax structure. which currently encourages private investors to invest in their own homes or in collective investment schemes.

Noting that the overall volume of

tributive trade survey, which measures

husiness activity among 15,000 retailers, wholesalers and motor traders, 18 per

cent more retailers reported a rise in

sales than those who had seen falls in

Though this was higher than May last year, when the balance had been 14, it was below March's balance of 25,

and retailers' previous predictions. The

balance of retailers predicting growth

for June is 34 - the most optimistic

assessment since the beginning of the

May. This balance was 17 in April.

some stages in the recession."



Publication yesterday of detailed plans for the UK's first toll motorway, around the north-east side of Birmingham, ran into immediate opposition from environmentalists and local residents. The protests provide a preview of the arguments that will

led by protestors as be opened an exhibition of plans for the

that will build and run the road, hope to win clearance for the project by 1996 and open it in 1998.

be voiced at a public enquiry into the road next year. In Coleshill, Mr Robert Key (right), roads minister, was lobb-

Trafalgar House and Iritecna, the Anglo-Italian joint venture

French look to Britain for medical tourist trade

By Alan Pike

FRENCH private hospital operators, at a meeting in London organised by their embassy yesterday, launched a bid to attract non-urgent surgical cases from Britain.

Hospital directors from four areas popular with British residents and tourists - Paris, Brittany, Nord Pas-de-Calais and Cote d'Azur - outlined to medical insurers the potential advantages of contracting for treatment across the Channel.

Price is the main advantage. A spell in a French hospital can often cost around 50 per cent less than the same treatment in the British private sector. The meeting heard of a British patient, quoted £2,100 for a cataract operation at home, who had the treatment in France for £1,100.

Mr David Ashdown, a director of Western Provident Asso-ciation, Britain's third largest provident insurer, said lower costs in France were leading to some corporate clients seeking provision for treatment there in their policies. WPA had obtained French treatment for British patients "although we have sent hundreds rather than thousands so far."

British health insurers told the meeting they believed most clients welcomed the convenience of local treatment. and would be reluctant to travel to France in order to help contain

their insurers' costs.
The British insurers suggested that the French hospital directors should target their marketing efforts at uninsured private patients in Britain. Many medical procedures now involve day-surgery or very sbort stages in hospital; in these circumstances, a 50 per cent price difference could make "medical tourism" attractive to patients meeting their own bills.

The meeting also agreed that keen pricing could lead to co-operation hetween French hospitals and the National Health Service. But the issue is politically sensitive and, although NHS representatives were invited to yesterday's meeting, none attended.

Manufacturing growth Business optimism fastest since May 1989 reaches six-year high

By Peter Norman

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A. 15-11-14

MANUFACTURING output recovered in April and is growing faster than at any time since May 1989, the government reported yesterday.

The Central Statistical Office said

manufacturing production grew by a seasonally adjusted 0.7 per cent between March and April after a 0.3 per cent decline in March. This prompted CSO statisticians to revise upwards their estimate of the annual trend rate of growth from 4 per cent to 5 per cent.

All manufacturing sectors increased output in the three months to April compared with the previous three months, lifting the manufacturing production index out of its previous nar-

A breakdown of yesterday's government figures suggests that recovery is being led by investment, and possibly higher than a year ago.

THE government named seven more

construction projects it would like

developed jointly hy private and public interests and published guide-lines for companies wishing to fund

and develop projects usually

financed by the public sector.

By Andrew Taylor,

April's figures were buoyed by strong growth in the output of metals, iron and steel and computers. Taking the latest three months figures, which the CSO's statisticians consider a better guide, the office reported strong increases in the production of cars, computers and aerospace equipment as well as materials for the building indus-

try and packaging. Production of cars and parts rose 8.1 per cent in the three months to April compared with the previous three months while output of computers increased by 14 per cent over the same

Consumer goods output was less buoyant, in spite of the sharp rise in car production. It rose 1.1 per cent in the three months to April compared with the previous period and was 1.3 per cent

The seven, expected to cost a total

of several hundred million pounds,

are all inner city projects in the Mid-

lands, north-west and north-east

They include two in Coventry and

two in Rochdale as well as schemes in Liverpool, Gateshead, Sunderland

and London Docklands where 70

acres of land in the former Royal

RETAILERS, wholesalers and motor traders are more optimistic about business prospects over the next three months than at any time since Fehruary 1987, a Confederation of British Industry survey said yesterday.

But with the pace of recovery in shop sales reported to have slowed in recent months, after a surge earlier in the year, the CBI employers' organisation warned that the strength of the upturn in consumer spending was still

Mr Nigel Whittaker, chairman of the CBI's distributive trades panel, said May was the fifth successive month in which retailers reported a year-on-year growth in sales. Yet the growth was below expectations and was partly due to aggressive discounting.

Victoria dock are being offered for

Much of the land identified for

development is owned hy public

authorities, such as local authorities

The environment department

(local government) or urban develop-

guidelines, announced by Sir George

Young, construction minister, would

ment corporations.

Meanwhile, motor industry sales

Seven more public projects opened up to private investment

allow public authorities to hand over

land free of payment to private

developers in return for a share of future profits. Local authorities would have greater freedom to use capital receipts to supplement investment

by private sector companies. Developers could receive funds from urban development corpora-

tions, urban partnerships and City Challenge budgets,

The initiatives form part of a growing government campaign to encourage private investment in public projects in order to cut the public sector borrowing require-

The latest schemes are in addition to a list of 21 costing more than £1hn

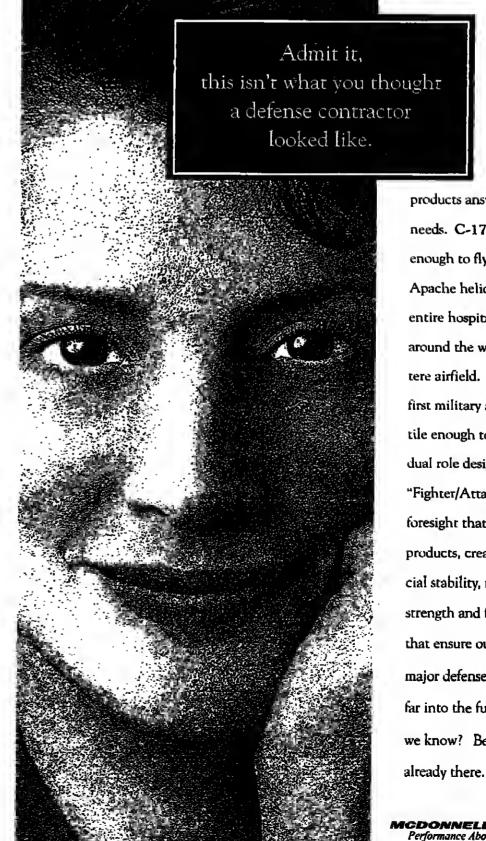
wood. These included a new airport for Sheffield, a power station for London's Docklands and a road tunnel under the River Tyne.
The government is thought to be

already announced hy the former environment minister Mr John Red-

close to announcing that private sector backers have been found for several of these projects.

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Slower US inflation | High hopes eases fears on rates

By Michael Prowse In Washington

US consumer prices rose 0.1 per cent last month and hy 3.2 per cent in the year to May. providing further evidence that inflationary pressures are moderating, the Labour Depart-

ment reported yesterday.
Following last week's report
that whnlesale prices were flat last month, the figures all but eliminated residual fears on Wall Street that the Federal Reserve might opt for an early increase in interest rates.

President Bill Clinton said the inflation figures were part of a broader improvement in economic conditions. At a Washington press conference he said employment had risen noticeably in receot months and mortgage rates were at a

But he warned that the econnmy would not continue to do well unless Congress soon

"The continuation of this trend depends on our ability to pass a strong economic programme through the Congress which reduces the deficit, increases investment in our future and is fair," he said.

First quarter current account deficit declined to \$20.9bn

In a separate report the Commerce Department said the US current account deficit declined to \$20.9bn (£13.5bn) in the first quarter compared with \$23.7bn in the final period of last year.

The improvement - which occurred in spite of a rise in the merchandise trade deficit mainly reflected an increased surplus nn services and a rise in net investment income Most analysts are predicting relatively subdued inflation figures throughout the summer, reflecting an unwinding of dis-tortions which pushed up the indices earlier this year. A sharp cut in tobacco prices has yet to be reflected in consumer

If the figures remain encour-aging, the Fed is unlikely to tighten monetary policy before the autumn in spite of its reported shift to a hias towards raising interest rates.

Compared with April's 0.4% increase the small overall rise in consumer prices masked hig sectoral differences. Prices of energy and clothing dropped 1 per cent and 0.5 per cent respectively between April and May. But prices of many services rose sharply, with medi-cal prices up 0.8 per cent following a 0.6 per cent gain in

The "core" consumer price index, which excludes the volatile components of food and energy, rose 0.2 per cent last month and by 3.4 per cent in

Smooth sailing towards court for new nominee

By Jurek Martin in Washington

JUDGE Ruth Bader Ginsburg yesterday began a round of courtesy calls in the Senate, amid guarded predictions that she could be confirmed as the next Supreme Court justice before the congressional sum-

Her nomination by President Bill Clinton on Monday has been greeted by widespread approval; no apparent obstacles to her confirmation have immediately surfaced.

Even pro-choice advocates in the abortion debate, recognisiog Judge Ginshurg's long career as an advocate of women's rights, have qualified their initial reservations about her stand on Roe vs Wade, the 1973 court ruling guaranteeing freedom of reproductive choice. Ms Kate Michelman, head of

the national abortion rights

league, said she looked forward to hearing Judge Ginsburg's explanation of a recent speech, in which she had said that the ruling may have prolonged political divisiveness. Ms Michelman said that the judge would represent an improvement on the attitudes of the man she is to replace at the court, Justice Byron White a Catholic who generally voted

for curbs on abortion. Judge Ginsburg's reputation on the federal appeals bench as a consensus builder, an attribute complimented by Mr Clinton, seems to have reassured Republicans and Democrats

It is generally assumed she will strengthen the divided court's centre, represented hy Justices Sandra Day O'Connor, Anthony Kennedy and David

Even so, the process by

which the president arrived at her nomination, after an 88-day search, was still attracting criticism, as was his angry termination of a news conference after the first question had suggested he was prone to "a zig-zag quality" when making

up his mind. Mr Clinton said yesterday he had no animus towards the media and, at his latest news conference, offered an olive branch to the TV reporter who had so annoyed him.

As for print media, an editorial in the New York Times said he was "intemperate", the Washington Post blamed the running commentary from the White House" on candidates for the court job, and the Wall Street Journal, in typical ideological vein, wondered ahout "the intellectual selfparalysis of both Bill Clinton and modern liberalism."

of Brazil's 'real plan'

BRAZIL'S latest economic plan, the seventh in as many years and the second in just two months, has been met by a mixture of approval and disappointment, summed up by a cartoon on the front of yester-day's O Globo newspaper.

It shows Mr Fernando Henrique Cardoso, the finance minister, clad in white leather and bursting into a saloon with guns waving. Bnt when he fires, only a disappointing little 'pam" sound emerges. Mr Cardoso describes the

plan, unveiled on Monday night, as "the start of a new attitude". The plano verdade (real plan) consists of a federal government spending cut equivalent to \$6bn and various revenue raising measures aimed to "put the government's house in order".

The plan was welcomed by business as the first to begin attacking the public deficit, rather than interfering with the private sector. The main São Paulo stock exchange index rose 5.2 per cent by

But there was a general feel-

go far enough, and would not bridge this year's \$12bn budget deficit or reduce inflation, now

above 30 per cent a month. Mr Igor Cornelsen, director of Chartered West LB in São Paulo, said: "For the first time, we have a plan aiming at the heart of the inflationary process - the public accounts. However, while the diagnosis is right and the medicine good, it is nowhere near the dosage sufficient for a lasting cure."

The plan, which needs con-gressional approval, has six main points. Faster privatisation.
 A crackdown on tax evasion, with offenders to be jailed

for the first time. Suspension of transfers to states and municipalities so as to make them start repaying the \$40hn-plus they owe the federal government.

 Stricter controls on state hanks and auditing of the Banco do Brasil and the National Savings Bank, with possible joh cuts and hranch

 A new cheque tax (awaiting congressional approval). • Commitment to reduce

Many economists said they

announcement of a major privatisation, the closure of hankrupt state banks or more autonomy for the central bank. Mr Josè Luís Miranda, president of Banco Interatiantico,

The government has little scope for cuts because the constitution requires that much of its \$240bn budget go to local governments, interest payments and wages. The govern-

Mr Cardoso's plan is seen as the government's last chance tor curb inflation before elections next year. He says its success now depends on wide

Brazil's disgraced former President Fernandn Collor (above) was interrogated by the Supreme Court yesterday in the first stage of his trial on corruption charges. He was impeached last December over alleged involvement in a kickback scheme said to have made him \$51m (£33.1m). He denied any wrongdoing and claimed the money was the remains of his campaign chest for the 1989 elections, along with a \$5m loan of gold from Uruguay. He said he knew nothing about "phantom" bank accounts through which alleged bribes were supposedly paid. time to set the preconditions ment can operate on just for a successful shock". S14bn. where it is cutting Stand measures, such as the

Bayer offshoot faces C\$2m pricing fine

By Bernard Simon in Toronto

A CANADIAN court has imposed a C\$2m (£1m) fine on Chemagro, a Montreal-based insecticide company owned hy Bayer, the German chemicals group, for a price-fixing conspiracy.

This is the heaviest penalty ever imposed under Canada's competition law, It marks the first conviction under a provision which prohibits foreign-directed conspiracies designed to lessen competition in Canada.

various chemical and biological insecticides used in forests. Chemagro pleaded guilty to several charges of colluding with other suppliers, hoth within Canada and abroad, to fix prices on supplies of these chemicals sold to provincial governments and the private

Price-fixing was orchestrated outside Canada hy Bayer and Sumitomo Chemicals of Japan. Sumitomo's case is still before the attorney-general.

in Venezuela

said: "This plan is just buying

MR Ramón Velásquez, interim president of Venezuela, has appointed two prominent business figures to his cabinet, reports Joseph Mann from Car-

Mr Hernán Anzola, central bank president in previous administrations, is planning minister; Mr Gustavo Pérez Mijares is economic development minister. Mr Velásquez has now completed his 19member cabinet. It retains five who worked under Mr Carlos Andrés Pérez, who is suspended from the presidency to face corruption charges.

Cabinet filled | FDA warns Pepsi drinkers about cans

By Nikki Tait in New York

THE US Food and Drug Administration has warned US consumers that they should take precautions before drinking canned Diet Pepsi, after syringes were found in a numher of cans in Washington state and Louisiana.

The product-tampering surfaced in the Seattle area, where three incidents were reported this week. Two cans containing syringes were subsequently found in New Orleans. A fur-

ther case, involving a can of Diet Coke, was reported in California yesterday, hut there were suspicions this might have been a hoax.

Mr David Kessler, FDA commissioner, advised consumers to empty Pepsi into a glass or cup before drinking, while the deal with customers' queries. No-one at Pepsi was available to comment on the likely origin or extent of the problem. On Wall Street, Pepsi shares · fell \$% to \$35% at lunchtime.

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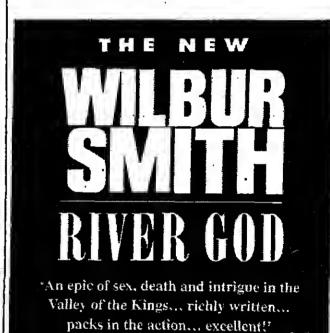
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Crossed lines over telecoms trade-off

By Quentin Peel and Ariane Genillard in Bonn

The State On

The deby

p aside

GERMANY'S negotiators with the European Community say the affair of their alleged "secret non-aggression pact" with the US over EC trade sanctions is an unnecessary, but embarrassing, storm in a

eacup. It illustrates bow lines of communication within the Community can get tangled over years of complex negotiations. It also shows how dangerous megaphone diplomacy can be in the delicate art of trade negotiations.

There is even an element of sloppy drafting, or possibly mistranslation, thrown in to create further crossed lines between Bonn, Brussels and other member states. There is more than a hint that ministries in Bonn may have failed to talk to each other.

Last week the European Commission demanded an explanation from Bonn for its apparent refusal to implement trade sanctions involving government telecommunications contracts against the US, unanimously agreed by the 12 mem-

ber states on June 8. The trade sanctions are token - affecting about Ecul5m (£11.85m) of contracts - but the principle of common action is seen in Brussels as

Mr Günter Rexrodt, German

that Bonn would not apply the sanctions as it was covered by an "opt-out clause" written into the June 8 decision. Brussels professed amazement, and Paris suspected treachery by

its closest EC ally.

The story goes back to October 1990, when Article 29 of the EC's Utilities Directive was first agreed, giving a 3 per cent price preference for EC companies when bidding for any government contract.

Germany insisted then a cisuse be inserted stating this move was "without prejudice to [existing] obligations of the EC and its memher atates

towards third countries" A Bonn official said: "We stated very clearly at the time that this meant someone who has a treaty with a third country does not need to put this article into effect "

The move already contained the seeds of future conflict some English translations said tha article would apply "notwithstanding" existing obliga-tions, instead of "without prejudice to" them: the German word unbeschadet can mean

The second step came in the wings of the OECD ministerial meeting in Paris, when Mr Rexrodt stopped to chat to Mr Mickey Kantor, the US trade representative. "It was simply an informal conversation in the sunshine before lunch," they say in Bonn. "This was in economics minister, retorted no way negotiations."

a point to make. The US was not implementing its own sanctions against Greece, Spain and Portugal, because they were not implementing Article 29. So wby was Washington

imposing sanctions on Bonn?
"Mr Kantor said he didn't know we were not implementing the article. They went away and checked and found it was true," says Bonn. "So Mr Kantor agreed we would also be excluded (from sanctions)." The trouble was, be went straight back to Washington,

and announced the "deal".

The third step came on June 8, when EC foreign ministers agreed without debate to impose EC sanctions on the US on a handful of public procure-ment contracts, in retaliation for the equally token gesture by Washington to restrict EC access to about \$19m (£12.3m) of contracts there.

The same clause was inserted in the decision which was in the original Article 29: it was "without prejudice to existing obligations".

knew what that meant," a Ronn official sald yesterday "But the others did not realise that it applied to Germany." Finally, the US asked for the German agreement in writing, and Bonn has balked at that. It will only give such a statement

"in agreement with the Com-

mission". In the current atmo-

sphere, that seems unlikely.

"We believed everybody

Beijing Jeep is out of the thicket

Tony Walker on one of the first, and therefore 'model', investments in China

Chryaler'a jeep project in China, is in expansionary mode, as the Americana might say. Having weathered early storme, the Chrysler

joint venture is set for larger production runs, fresh models

and possibly a new "greenfield" works. This is a long way from a gloomy period in the mid-1960s when it seemed that American Motors, the original foreign partner in the Beijing Jeep venture, was set to walk out over payment delays and staffing disputes; not to mention a

agers and their Chinese counterparts. The man who belped save the AMC venture in 1986 was Mr Zhu Rongji, then vice minister of the State Economic Commission. This is the same reformist Mr Zhu who has now emerged as senior vice premier in charge of the economy and the man tipped as a possible

huge cultural and professional

divide between American man-

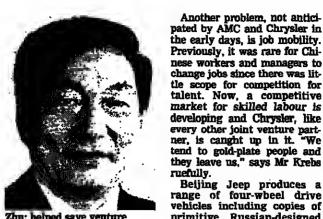
The well documented Beijing Jeep saga*, marked something of a watershed for foreign investors in China in the early phase of the country's eco-nomic reform; although many of the problems that bedevilled the AMC project have certainly not been eradicated.

Because Beijing Jeep was one of the first joint manufacturing ventures in China lt achieved "model" status. This is probably what helped save It in the end: desperate to attract foreign investment China could not afford a "model" fail-

Mr Krebs is cagey about profitability, saying merely that Beijing Jeep has been profitable for much of its nine years, and he views the period ahead as promising in a country where demand for vehicles of all sizes and dimensions is growing by leaps and bounds.
But problems persist, not least access to foreign

exchange to pay for kits and imported machinery at a time of rapid expansion for the Chrysler-Beijing Auto Works joint venture (BAW is owned by the Beijing municipality).

Chrysler, which took over AMC in 1987, the year after faltering production began in Bei-



jing, is anxious to keep building np its stake in the local joint venture to 50 per cent from the present 43 per cent. AMC with an original investment of \$8m plus technical assistance took an initial 23

per cent share.

Management problems have eased, Mr Krebs says, with a good working relationship at senior level. However, Chinese middle managers, used to operating in a strictly hierarchical and authoritarian system, are loath to show initiative lest they be criticised for possible

Another problem, not anticipated by AMC and Chrysler in the early days, is job mobility. Previously, it was rare for Chinese workers and managers to change jobs since there was little scope for competition for talent. Now, a competitive market for skilled labour is developing and Chrysler, like every other joint venture part-ner, is canght up in it. "We tend to gold-plate people and

Beijing Jeep produces a range of four-wheel drive vehicles including copies of primitive Russian-designed military vehicles, plus the Jeep Cherokee which is proving a hot seller with supply barely keeping pace with demand. The company is scheduled to produce 37,500 Beijing Jeep 202 models this year, and 22,500 Cherokees compared with 20 000 in 1992

Target production for 1995 is 100,000 vehicles for both models, but, as Mr Krebs observes, the size of the existing plant is placing limitations on growth. He believes that in time Beijing Jeep will be obliged to look at establishing a new facility, possibly in southern China at a cost of up to \$300m.

Sensing an era of greater competition is dawning, Beljing Jeep is, for the first time, devoting resources to advertis ing. In the first three months of this year it spent more or marketing than it did for the whole of 1992.

The company has a network of about 20 dealerships and deliveries of spare parts are being speeded up. Before, distributors would be obliged to drive to Beijing every two or three months from outlying provinces to pick up supplies Now parts are being delivered "every week or so" even to remote areas.

Chrysler, which fell into the China market with the AMC takeover, is congratulating itself for having a footbold in what is likely to prove a lucrative, if highly competitive area. With just 7m vehicles spread thinly among China's 1.1hn population, and with more than 92 per cent of the country's roads unpaved, the future for Beijing Jeep would seem to be secure, even buoyant.

*Beijing Jeep: The Short Unhappy Romance of American Monn. Simon and Schuster,

Kantor cool towards renewal of sanctions law

By Nancy Dunne

MR Mickey Kantor, US trade representative, is urging Congress to resurrect the administration's "fast-track" trade negotiating anthority without tacking on to the legislation a renewal of Super 301, a provialon much despised by the

country's trading partners. Super 301 requires the trade representative to list "unfair" trading countries and negoti-

ate away their trade barriers. It was used sparingly in 1989 and 1990 - against Japan, Brazil and India - and then it expired.

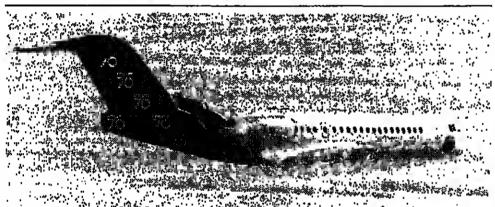
The deadlines imposed hy Super 301 requiring action, or a waiver of action on grounds of national interest, can reduce flexibility for trade officials. They have said that the imposition of sanctions during key negotiations such as the Uruguay Round could be highly damaging.

President Bill Clinton strongly endorsed a renewal of Super 301 during the election

campaign last year, and Mr Kantor has not retreated from that position. However, his endorsement at a hearing on Monday was unenthusiastic.

Although promising to "work with" Congress on Super 301 at another time, he was quick to imply that the administration was moving aggressively without its help.

Senator Max Raucus, chair man of the Senate international trade snb-committee and a strong supporter of wished the representative would "more strongly embrace" the provision. Would it not give him "additional negotiating leverage" in the Uruguay Round?



Rolls-Royce Tay engines power the new, 79-seat Fokker 70 airliner

Fokker launches regional jet with orders won

By Paul Betts, Aerospace Correspondent

FOKKER, the Dutch aircraft manufacturer 51 per cent owned by Deutscha Aerospace, yesterday launched the production programme for its new Fokker 70 regional jet, having won \$400m (£262m) of orders from indonesia for the new 79-

seat airliner. The launch orders from the Indonesian carriers Sempati Air and Pelita Air Services, involving up to 20 aircraft, will also provide £70m of business for Rolls-Royce, the UK aero-engine group whose Tay 620 engines power the new

Fokker twin-jet airliner. The Fokker 70, which made its maiden flight in April, is a smaller derivative of the Fokker 100, also powered hy Rolls-Royce Tays. The fuselage and tail section of the aircraft are produced by Deutsche Aerospace, the wings by Short Brothers of Belfast.

The new Fokker aircraft will intensify competition in the regional jet market, which has been badly hit by the financial troubles of smaller airlines but is now expected to recover

strongly by 1998-2000. It will compete directly against Avro International, the recently established regional jet joint-venture company of British Aerospace and Taiwan

The BAe-Taiwan venture, also unveiled at the Paris Air Show, plans to develop a lighter version of its RJ70 regional jet, to make it more competitive with the new Fokker 70. Rolls-Royce, whose engines have traditionally powered Fokker jets, is now also trying to break into the Avro RJ market by negotiating with Taiwan Aerospace its participation in the BR700 regional jet engine

partner BMW. In the large end of the commerclai engine market, at the air show its risk-sharing partners on the £400m development programme of its high-thrust Trent engine. Lucas, UK aerospace and car components group, is taking a 3.5 per cent

share in the Trent programme. Bernard Simon reports from Toronto: Air Canada and McDonnell Douglas are to study the feasibility of modernising the Canadian carrier's ageing fleet of DC-9 jets as an alternative to replacing them

with new aircraft. Air Canada operates 35 DC-9s, and predicts that the modernisation would add 15 years to their life. The work would include new engines and avionics, and extensive rewiring. McDonnell Douglas would provide new warranties

for the aircraft. The two companies said ves terday that they might open programme with its German the programme to other air lines wanting to extend the bves of their DC-9s.

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UK cabinet group to discuss HK policy

in Hong Kong

MR John Major, Britain's prime minister, has called a meeting of his cabinet's Hong Kong committee for July 1 amid signs that the British government is losing patience with China over talks about the colony's political develop-

Mr Chris Patten, Hong Kong's governor, will fly to London at the end of the month for the meeting, which officials say is likely to prove significant in determining the British government's policy towards Sino-British talks.

According to one official:
"What ministers want to know is: Are these talks a total waste

Mr Patten's assessment is

government's attitude towards the talks. The first four rounds of negotiations produced no significant developments and in the session which ends today little progress appears to have been made.

A Foreign Office official said yesterday that by the time the cabinet sub-committee meeting was held a sixth round of talks might bave taken place and by then we should have an idea of where they are going or not". The objective the cabinet committee agreed to at its meeting in April was for Sino-British talks to be concluded hy the end of July. "This time-table either has to he reinforced or shifted," the official said. "The committee is

unlikely to approve of policy being made by a process of drift." Next month's meeting will

Douglas Hurd, foreign secretary, Mr Malcolm Rifkind, defence secretary, and Mr Michael Heseltine, trade and industry secretary.

It comes at a time of increasing restiveness among Hong Kong pro-democracy groups who feel that Mr Patten is backtracking on his commitment to broaden democracy before Britain returns sovereignty to China

in 1997. The committee, which last met at easter when Mr Patten was in London, is however likely to approve the continua-tion of talks until the autumn and then decide whether to continue or pull out and present Mr Patten's legislative programme to the Legislative Council, Hong Kong's law-

Cambodian secessionist leader seeks refuge

By Victor Mallet in Phnom Penh

PRINCE Norodom Chakrapong, leader of a fiveday-old Cambodian secessionist movement, took refuge in Vietnam yesterday in a move which apparently heralds the end of his "autonomous zone" in the east of the country, United Nations officials said.

A UN military observer saw the prince and his followers drive over the border in Svay Rieng province in a convoy of 20 vehicles and hand their weapons to Vietnamese border guards, Prince Chakrapong, a deputy prime minister in the con munist government installed by Vietnam in 1979, had announced the secession in protest at the outcome of the UN-organised election last

The ruling Cambodian People's party won only 51 of the assembly, compared with 58

tion party Funcinpec led by Prince Ranarlddh, Prince Chakrapong's estranged half-brother. The CPP said it was the victim of "massive irregularities" in the polling, but UN and international observers certified the election as free

Prince Chakrapong's attempt to defy the UN and fragment the country further (the Khmer Rouge runs its own zone on the Thai border) was undermined by the evident

lack of public support.
UN officials, foreign diplomats and Cambodians yesterday welcomed the retreat of Prince Chakrapong, who has long been regarded as one of the most unsavoury members of the corrupt communist administration.

Their optimism was tempered, however, by the know-ledge that the CPP leadership in Phnom Penh initially winked at Prince Chakrapong's

stance and is still challenging the results of the election. Hundreds of terrorised Funcinpec party workers are reported to have fled to Phnom Penh from the east

Members of the new assembly, convened on Monday, are supposed to write a constitution and form a new government within three months.

Mr Hun Sen, the prime min-ister, is now dissociating himself from the secessionists and was credited on Monday with persuading his brother Mr Hum Neng, governor of the populous province of Kompong Cham, to bring it back under central government control

Mr Uch Kiman, a government spokesman, said yesterday that four of the seven provinces in the "autonomous one" were not even aware that they had been included. Prince Ranariddh portrayed the issue as a political dispute rather than an argument between princes.

Peace talks hear of **Clinton-Assad letters**

THE TENTH round of the Middle East peace talks began in Washington yesterday with the disclosure that President Bill Clinton and President Hafez al-Assad of Syria have exchanged letters, presumably on the future status of the Golan Heights.

A senior US official returning from Europe with Mr Warren Christopher, the secretary of state, was quoted as saying that the exchanges were "very substantive," but declined to furnish details.

They may cover possible US guarantees that the Golan Heights, if returned to Syria, not be used as a base for attacks on Israel, as well as how much territory Israel might be persuaded to give up. Mr Muwaffiq al-Allaf, insisted yesterday that Israel must surrender all the Golan Heights, seized in the 1967 war, or accept responsibility for the breakdown of the peace

His Israeli counterpart, ambassador Mr Itamar Rabinovich, said Israel had told Syria it accepted "the element of withdrawal" as part of the peacemaking process but would not address "the extent of the withdrawal until certain questions are answered". .

Bilateral contacts between the US and other delegations have been frequent. Mr Christopher conferred in Vienna, where he addressed the UN buman rights conference, with the Syrian, Egyptian and Israeli foreign ministers.

Abiola claims Nigerian win

NIGERIANS waited anxiously yesterday for official confirma-Moshood Abiola had won the country's presidential election, Reuter reports from Lagos. The National Electoral Commisslon said it was carefully checking results from Nigeria's 30 states before announcing the winner of Sat-

urday's poll. Leading newspapers were in no doubt, reflecting victory claims by Mr Abiola and his Social Democratic party. "Abi-ola surges ahead," said the Daily Times, Nigeria's biggest-

selling newspaper. However, his opponent, Mr Bashir Tofa Tofa and his National Republican Convention yesterday called for the results of the poll to be cancelled because it had been "massively rigged", according to state radio.

Bankruptcy rate falls in Japan

THE FIRST fall in Japanese corporate bankruptcies for almost three years yesterday added weight to claims that the Japanese economy is nearing the bottom of its two-year downturn.

Corporate bankruptcles in May fell by 3.9 per cent from the same month last year to 1,113, according to a monthly report by the Teikoku Data Bank, a private research group. The report said the decline in the bankruptcy rate, the first for 32 months, was a tentative indicator of a moder-

If May's decline in bankruptcies does mark the bottom of the recession it means Japanese business will have escaped with far fewer fallures than during the mid-1980s.

During the weak economic

patch of the mid-1980s caused by the yen's sudden appreciation against the dollar, the husiness failure rate rose to about 20,000 a year. During this downturn the fallure rate has not risen above 14,000 a year. The Teikoku report will fuel the debate within Japan about whether the recession is bot-

toming out. The government's Economic Planning Agency

claim which the industry Ministry has fiercely disputed and the Bank of Japan failed to support in its quarterly eco-nomic survey published last

However, the fall in the overall rate of bankruptcies masks important changes in the causes of business failures. The number of bankruptcies caused by the recession rose by 33 per cent to to 676, while bankruptcies caused by finan-cial factors linked to the collanse of the bubble economy fell markedly.

last week announced the economy had hit the bottom, a bankruptcies caused by the yen's appreciation against the dollar, which is hitting Japanese exporters. There were three bankruptcies in May caused by the yen's rise.

The recession is increasingly claiming larger companies, such as Hanix Kogyo, the construction equipment maker which failed recently. The combined liabilities of bankrupt companies rose by 15.7 per cent in May to Y661.2bn (£4.1bn) compared with the same month last year. The average debts of bankrupt companies were Y594m, about 21 per cent up on the previous year.

published yesterday supported the Bank of Japan's caution about the economy as long as private consumption and corporate investment remains subdued. Sales at Tokyo department stores were 9.3 per cent down in May compared with the same month last year, the 15th consecutive monthly

Private sector machinery orders in April fell 26.8 per cent from the previous month to Y786.9bn, a fall of 18.5 per cent from April last year. This brings to an end a brief revival in machinery orders in the early months of the year.

Technical factors cut trade surplus

JAPAN'S customs-cleared trade surplus dipped slightly in May largely as a result of temporary technical factors, according to figures released by the Finance Ministry.

Nevertheless, the 0.1 per cent fall in the surplus in May, to \$7.7bn (£5bn). will be welcomed by the Japanese government as evidence that the surplus is reaching its peak after growing for almost two and a half years.

The fall may help to defuse tensions between the Japanese and US govern-ments during talks in the next few weeks about measures to reduce the surplus. The talks are due to come to a

head before the Tokyo summit of Group of Seven leading industrialised countries in the first week of

However, news of the decline did littile to stem the continued rise of the yen against the dollar. In Tokyo trading the dollar closed at Y105.03, down from its Monday close of Y105.20, after it had hriefly touched a new low of Y104.83 in

The yen's strength hit the Tokyo stock market Nikkei index which fell hy 351.47, or about 1.7 per cent, to 20,045.88. The market's fall was a reflection of the damage a higher yen may do to the profits of Japanese exporters.

The yen'e continued strength, com-

bined with the stock market'e fall close to the critical 20,000 mark, will increase pressure on the Bank of Japan to cut

terest rates. Mr Yasushi Mieno, Bank of Japan governor, on Monday ruled out an interest rate cut to prevent the yen rising. However, the central bank announced yesterday it would hold a meeting of its regional branch managers on July 5 and 6. These meetings have paved tha way for a cut in the

discount rate in the past.

Mr Tadashi Okuda, chairman of the Federation of Bankers' Associations. called on the monetary authorities to make "timely and flexible" responses to the yen's surge after warning that the stronger yen threatened to dash hopes of an economic recovery. The drop in Japan's merchandise trade surplus was because of a faster growth of imports. Exports in May rose 5.6 per cent from the same month last year to \$26.85bn, while imports rose 8.2

per cent to \$19.12hn.

Japan's trade surplus with the US fell by 2.1 per cent from the year before to \$2.77bn.

Finance Ministry officials said the fall was because of fewer working days in May compared with the same month last year, as well as longer vacations taken during the "golden week" holi-days. Thesa cuts helped to reduce



Somali leader may stand trial, says UN

By Michael Littlejohns, UN Correspondent, in New York

GENERAL Mohammed Farah Aideed, the Somali warlord accused of directing an ambush that led to the deaths of 23 Pakistani United Nations soldiers, will be arrested and brought to trial if an official inquiry confirms the allega-

tions, the UN said yesterday.

Mr Kofi Annan, under-secre-

tary general for UN peacekeeping operations, told reporters: Whoever is found responsible will be apprehended, whether general or foot soldier."

The investigation ordered by the UN Security Council following the June 5 incident was continuing and if Gen Aideed were held responsible, an attempt would be made "to At a press conference called

to explain the bloody incident last weekend in which many Somali civilians were killed by Pakistani troops, Mr Annan said that non-lethal riot control methods had been considered. The situation "got out of control" when Somali demonstrators tried to tear down a UN

barricade.

• The Italian government said yesterday it had received assurances that tighter conPakistani peacekeepere in Somalia, Renter adds.

Mr Fabio Fabbri, defence minister, who was in Mogadishu yesterday, "has received precise assurances on the use of Pakistani forces in a role and with equipment more in keeping with the demands of the situation," Mr Beniamino Andreatta, foreign minister, told parliament.

Call for Banda to step aside

MALAWI opposition groups yesterday claimed victory in a referendum over the one-party rule of President-forlife Kamuzu Banda and demanded he step aside for a coalition government of national unity, Reuter reports

from Blantyre. Unofficial counts by the United Democratic Front (UDF) which it said were based on returns by more than half the registered voters, gave between 73 and 86 per cent of the poll to those campaigning for western-style dem-

In a speech to hundreds of cheering, singing supporters at his headquarters in Blantyre, Mr Bakill Muluzito. UDF leader, formally claimed vic-

tory in mid-afternoon. But independent analysts remained to be counted, particularly in conservative, remote rural areas ripe for intimidation. They pointed to sweeping successes by Mr Banda in the central region, where his ruling Malawi Congress party appeared to be taking 70 per cent of votes. The opposition seemed to be registering landslides in the south, the most populous area, and the north.

Mr Chakufwa Chihana, newly-freed trade unionist leader of the Alliance for Democracy (Aford), which teamed with the UDF to fight Mr Banda, told reporters in the capital Lilongwe that Mr Banda should resign and become the figurehead of a transitional government to prepare for multi-party elections. "We will give him a smooth exit," he said.

Poppies bloom amid Pakistan's economy and politics

Narcotics make for a black economy half that of the official one, writes Stefan Wagstyl from the Khyber Pass

HEN drug dealers operst-ing in the Khyber Pass felt threatened by a Pakistani government road-huilding scheme earlier this year, they attacked the construction crews with machine-guns, mortars and a beat-seeking missile. Nine men were killed in the raids which were meant to prevent the

government from bringing an allweather road to the remote Tirah Valley, the home of poppy fields and scores of heroin laboratories. Officials have stopped the building work while they try to persuade local village chiefs to guarantee the workmen safe passag

The tribesmen of the Khyber Pass have never taken kindly to outsiders on their territory, as the British colonial rulers discovered a century ago. But today the weaponry at their disposal enables them to project their power beyond the mountains lying on the Pakistan-Afghanistan border.

While the poppies are mostly grown on the Alghan side of the border, the profits accrue to dealers who are mainly Pakistanis. Their fortress-like bomes dot the road along the Khyber Pass. Outside there are watchtowers; inside, opulent bouses decked in marble.

The dealers' influence reaches into Afghanistan through the guerrilla commanders who need drugs money for buying arms and ammunition, it also penetrates far into Pakistan, distorting the country's economy and politics.

The shock of violent incidents



such as the Tirah road attacks, the swelling population of drug addicts in Pakistan and strong pressure from the US and other developed countries is at last forcing some officials to admit to the scale of the drug lords' influence.

At a recent UN-sponsored drug abuse conference in Islamabad delegates from Pakistan concluded: The massive inflows of money financed by drugs have given birth to a new political situation in Pakistan.... The profits generated from illicit narcotics activity have contributed to a buge black economy, half the size of the official

Poppies bave been grown in Afghanistan for centuries, but never in the past on a large scale.

The tribesmen preferred marijuana, and heroin was virtually unknown until the advent of war in Afghan-But in the last decade a region

which encompasses eastern Iran, Afghanistan and Pakistan has become the world's second largest producer of illegal opium with an estimated 1,115 tonnes last year, mostly in Afghanistan, according to US government figures. This is well short of the 2,500 tonnes produced in south-east Asia, including Bur-ma's Golden Triangle. But southeast Asian output is falling, albeit slightly: Afghan farmers are rapidly increasing their production. This year's crop is estimated to be 20 to 50 per cent higher than 1992's.

The initial stimulus for increasing output came from a crackdown on opium-growing in Middle Eastern countries, including Turkey and Iran. The war in Afghanistan then prompted anti-Soviet mujahideen guerrillas to raise production and to invest in beroin laboratories to increase their revenues to huy arms. The fight against communism was seen as so important that officials in Pakistan, from where many mujahideen were supplied, turned a blind eye to the proliferation of her-

Despite the Soviet withdrawal, the muiahideen groups still need money because they are now fighting each other. Elsewhere in the country, peace has permitted farmers to go back into their war-rav-aged fields.

Mr Habimullah Khan, a farmer in



Poppy growers in eastern Afghanistan: a centuries-old practice now feeds into a sophisticated network

eastern Afghanistan, says villagers have no choice about growing poppies since they bring ten times as much money as other crops. "This year we planted more poppies than before. Next year we will plant even more," he says.

Moreover, the collapse of the Soviet Union has eased the drug smugglers' transport problem. The traditional route has been south through Pakistan to the port city of Karachi and from there by air and

by boat to the rest of the world. But the borders of the former Soviet republics in central Asia have opened up to trade - so trucks laden with legitimate goods such as dried fruit are being used to smuggle heroin into Russia and from Russia

into western Europe. Dealers in the tribal areas lying on the border with Afghanistan dominate the trade. Under agreements dating back to Pakistan's birth as an independent state in

1947, the government's writ does not run in the tribal areas. Instead, they are administered by tribal chiefs, who choose which laws, if any, they will apply.

Plentiful handouts from the drug

dealers ensure that anti-narcotics laws are enforced weakly, if at all. Mr Altaf Gauhar, editor of the Mus-lim, a leading Pakistani newspaper, alleges that almost all the politicians representing the tribal areas in the national assembly in

Islamabad are drug smugglers. A frequent target of such accu-sations is Mr Haji Ayub Afridi, a former truck driver turned millionaire businessman and politician who owns the largest of the forts on the Khyber Pass. Mr Afridi's house was raided two years ago in the course of a drugs investigation. But neither then nor later was any evidence found linking him to narcotics smuggling. He denies any involvement in the trade.

A study commissioned by the US

Central Intelligence Agency this year found that heroin trading had penetrated "the highest political circles" in Islamabad and named as a suspected drug smuggler Mr Sohall Zia Butt, a brother-in-law of the prime minister, Mr Nawaz Sharif. Alleged dealers are also active at

the top of the husiness community in Karachi. There are many suspected top drug dealers in investigators' files but officials cannot act for lack of firm evidence. Western antidrugs experts retort that evidence is lacking because of the drug lords' political protection. "They are allowed to work behind screens," said one.

Mr Ralph Seccombe, Pakistan field adviser for the United Nations drug control programme, says the whole country is already paying the price for permitting drug dealers to flourish. "Pakistan has over 1m addicts. That's 6m people who are affected if you include their families. But it's 100m who are suffering from the political and economic

Fresh effort to restart Bosnia talks

By Frances Williame in Geneva and Laura Silber in Belgrade

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INTERNATIONAL mediators for former Yugoslavia meet leaders of the warring parties today in Geneva in an increasingly desperate search for workable political solutions that will end the violence in

Lord Owen, for the European Community, and Mr Thorvald Stoltenberg, for the United Nations, said yesterday they expected the meetings to pave the way for a reconvened international conference on ex-Yugoslavia, probably ln Geneva, which would bring together the participants in last August's high-level Lon-

President Slobodan Milosevic of Serbia, Croatian President Franjo Tudjman, President Momir Bulatovic of Montenegro and Mr Alija Izetbegovic, the Bosnian president, will meet together with the mediators. Mr Izetbegovic has so far refused a joint meeting with Mr Radovan Karadzic, the Bos-nian Serb leader, and Mr Mate Boban, leader of the Bosnian

Lord Owen said yesterday that there was no alternative to the Vance-Owen peace plan for Bosnia on the table, though it was clear there would have to be "adjustments". "An over-all cessation of hostilities will only come in the context of an overall (political) bargain," be

Today'a encounters will also discuss the potentially explosive situation in Serb-held Croatia. Relations between

THE United Nations must

work out new rules for peace-

keeping in crises like the for-

mer Yugoslavia and Somalia,

the Stockholm International

Peace Research Institute

(Sipri) said yesterday, Renter

wars which the world body is

powerless to stop at present,

Sipri experts said at a news conference to launch its 1993

Authors of the year book,

considered the standard refer-

ence work on world arms and

disarmament, commented that

in 1992 the UN moved towards

a policy of imposing or promo-

ting peace rather than main-

taining the status quo. "The

problem with Yugoslavia is

that there is no peace to be kept, and enforcement activity

cannot come about because there is no outside, agreed pol-

lcy," said spokeswoman, Ms

Sipri said the number of mili-

tary personnel involved in

peacekeeping had soared last

year to more than 62,000 from about 15,000 in 1991 but warned

against a tendency to see

Regina Cowen-Kemp.

reports from Stockholm. The collapse of totalitarian communism has led to civil

year book.

throughout the region," Lord

Owen told reporters.
In Sarajevo, the military commanders of the three warring communities agreed on a ceasefire, to take effect today. as fighting intensified throughout the republic.

Previous agreements, however, have collapsed almost immediately and there was little optimism that the latest one

Even as the three military chiefs met at Butmir airport, fresh clashes were reported on most battle fronts.

Sarajevo radio said at least eight people were killed in Gorazde, a besieged UN-safe area in south-eastern Bosnia.

Serb forces have been on the offensive for three weeks near the town, which is the last Moslem stronghold in the region. Bosnian Serb forces are reportedly poised to seize it, flagrantly violating its UNprotected status.

The military summit took place after Mr Boutros Boutros Ghali, the UN secretary general, recommended the deployment of at least another 7,500 troops to Bosnia.

But western diplomats ves terday worried that the additional forces and heavy equipment would not lend enough muscle to the 9,000 troops already on the ground in Bosnia

Some 9,000 peacekeepers assigned to protect UN relief convoys have failed to stem the bloodshed and have been constantly undermined by Serb and Croat forces seeking to block the passage of emer-

eacekeeping as a panacea for

"The expectations are exag gerated. Peacekeeping should be used only in the last resort.

all the world's conflicts.

UN called on to

on peacekeeping

revise its rules

Russia criticises military mandate

RUSSIA is willing to send troops to protect Moslem enclaves in Bosnia provided there is a clear framework and mandate from the United Nations security council, Mr Andrei Kozyrev, the Russian foreign mlulster, reiterated yesterday in Vienna.

Russian troops, however, would not be sent to "besieged fortressea under fire". Mr Kozyrev saggested a new UN Security Council resolution would be needed to define objectives clearly.

In a separate statement made at the UN World Conference on Human Rights taking place in the Austrian capital, Mr Kozyrev also warned of the growing dangers of national ism and of adopting a selective



ORLD CONFERENC

ON HUMAN RIGHTS Kozyrev: promised troops

approach to human rights.
"We cannot accept references to the non-interference principle... when violations of indi-vidual rights and freedom are

involved," he said.

He warned that policies of ethnic cleansing, as had happened in the former Yugoslavia, posed a threat to democracy worldwide.

He said the lack of attention to the rights of national minorities "risks damaging the Baltic region and turning Europe into a zone of ... lower

and double standards. In a day dominated by developments in eastern and southeastern Europe, conference delegates also heard a call for UN action in the Yugoslav

province of Kosova. Preventive diplomacy and cri-Mr Sali Berisha, president of Albania, called for the UN to sls management are more important," said Mr Adam Daniel Rotfeld, Sipri director. place Kosovo under UN control and declare it a neutral zone. World military spending fell by 15 per cent in 1992 but civil wars flared in 29 different He warned of the growing dangers of war stemming from Serbian actions in Kosovn, whose population is 95 per places, according to Sipri. It gave no overall figures, but cent cthnic Albanian. He officials said industrialized countries spent about \$540hn (£350.6bn) in 1992, about 65 per called for further tightening of

sanctions against Serbia. cent of the world total.

Mr Rotfeld said the collapse The conference unanime endorsed an appeal by Mr Haris Silajdzic, the Bosnian foreign minister, for immedi-ate action by the UN to end of totalitarian regimes in eastern Europe and the former atrocities in Bosnia.

Soviet Union had raised, then dashed, hopes of an improvement. He said that 1992 had In an emntional statement brought neither well-being nor that galvanised delegates, Mr Silajdzic criticised the lack of adequate international reacrespect for democracy and the rule of law in former Yugoslavia and the Soviet Union. tion in the face of increasing On a positive note, Mr Rot-feld mentioned the 1992 Start II atrocities in Bosnia. He called on the conference "to stop the genocide in at least one town". treaty in which the United He was referring to the Mos-States and Russia agreed to limit their strategic nuclear forces, and the chemical weaplem enclave of Gorazde, which has been declared a "safe area" by the UN but which is ons treaty opened for signature besieged by Serb forces.

Azeris recall Brezhnev era leader

By Stave LeVine in Baku, Azerbalian

AZERBALJAN'S Brezhnev era KGB and communist party chief, Mr Heidar Aliyev, made a remarkable political comeback yesterday, winning elec-tion as chairman of the former Soviet republic'a parliament. The election makes Mr Aliyev, 70, nominally the second most powerful leader to Azer-

But diplomats and other foreign observers in Baku, the capital, believe that the wily Mr Aliyev has carved himself out a significant chunk of Mr

baijan President Abulfaz

elections are likely. Given the present despondent political mood, Mr Aliyev probably would be Azerbaijan's strongest presideotial candidate. The pobtical and economic

deterioration was demon-

strated when Baku newspapers

yesterday announced that Mr

Elchibey had postponed complete introduction of Azerbaijan's new currency, the manat. The government, which began circulating the manat on June 2, had announced that the rouble would be invalidated on June 15, but the move now has been delayed at least until July 1. "We need to wait

Elchibey's power and that new until the situation stabilises. As soon as that happens, the reforms will take place," said Mr Elman Rustamov, deputy chairman of tha ministry of foreign economic activity.

On Monday the US embassy recommended that American nationals leave the country. and many foreign businessmen, including oil company employees, have departed on flights to Istanbul and Moscow.

It was not clear whather Azerbaijan's political upheaval was over. Mr Aliyev's comeback was forewarned a week ago, when rebel troops seized Azerbaijan's second city, Gyanja, and demanded Mr Elchibey's resignation. Though the troops, led by a charismatic businessman, Mr Surat Huseynov, have voiced their support for Mr Aliyev, thay now have taken control of up to half the Caspian Sea nation, and are within 70 miles of

bey's loss of popularity have

Mr Elchibey, whose popular-ity has steadily waned since he came to power about a year ago, has threatened to use force to defend his govarn-ment. But it is unclear how much loyalty he still enjoys in the military, or among the Azeri population of 7m. The key factor in Mr Elchi-

improvements and a string of military defeats in the war in the enclave of Nagorno-Karabakh. On Monday night ethnic Armenians from Nagorno-Karabakh finally agreed to a brokered settlement. But at the same time ethnic Armenian troopa appeared to be encircling yet another important city in the region, Agdam, which actually lies outside Nagorno-Kara-

The continued fighting was bound to put new pressure on Mr Elchibey, and give Mr Ali-yev a atronger hand ultimately to topple him.

Russian constitutional talks given new deadline adopts Yeltsin

PRESIDENT Boris Yeltsin's constitutional convention will adjourn today for a 10-day break during which experts are likely to try to come up with either a compromise draft constitution or temporary rules for new elections.

President Yeltsin had earlier set the convention a June 16 deadline to finalise a draft constitution.

However, Mr Vladimir Sbumeiko, first deputy prime minister, announcing yesterday that the convention would resume on June 26, said that the top priority of the presidential camp was early parliamentary elections. For this purpose, an electoral

bloc was being formed with the aim of uniting all the country's pro-reformist forces to win as many seats as possible in a new parliament. Founders of

the bloc include Mr Yeltsin's closest colleagues and leaders of the radical democrat movement, and will be led by the Russian president himself.
The president is also expec-

ted soon to order the creation of a conciliatory commission to work on the presidential and parliamentary drafts for a new constitution between now and next week.

Meanwhile, a number of influential delegates at the convention yesterday began circulating a plan for a new constitution to be adopted by a newly-elected parliament. instead of the existing Congress of People's Deputies. The plan includes rules for

early parliamentary elections and a temporary division of powers between president and parliament. This temporary move would be until a new parliament

adopts a new constitution set-

ting out all these provisions "An election campaign is already under way in Russia, Mr Gennady Burbulis, a close ally of Mr Yeltsin, told report-ers at the Kremlin yesterday.

While recognising that the existing parliament is unlikely to adopt a new constitution, the plan for new elections would also have to be approved by the Congress of People's Deputies in order to be constitutional.

The Congress is unlikely to agree to its own dissolution however, leaving the president with the choice of violating the existing constitution unless he can get deputles to change

A group of 315 deputies is already trying to gain signa-tures of another 30 deputies so it can threaten to resign and deprive Congress of a quorum unless it agrees to vote itself out of office.

Ukraine's leader tactic in struggle

By Chrystia Freeland in Klev

THE Ukrainian president, Mr Leonid Kravchuk, yesterday called for a referendum on Ukraine's constitutional structure and early parliamentary elections.

Mr Kravcbuk's proposal, which was immediately rejected by parliament but is scheduled to be put to the vote again today, is in part a reaction to the political demands of striking coal miners in the Donbass region of eastern

Like Russia's president, Mr Borls Yeltsin, who was atrengthened by Russia'a April referendum, Mr Kravchuk is playing for high stakes. He said he would interpret a no vote in the proposed ballot, to

be held sometime this year, as a public expression of no confi dence and would step down.

However, like Mr Yeltsin, the unpopular Ukrainian leader is gambling on receiving a public endorsement which would strengthen his hand in the bitter struggle between the various branches of government in

Mr Kravchuk's nemesis, Mr Leonid Kuchma, the prime minister, also raised the stakes yesterday, suggesting that he will seek emergency powers over the economy even greater than those be asked for - and

was refused - in May.

Mr Kuchma said that the Ukrainian economy would collapse unless one branch of government is given nearly absolute control.



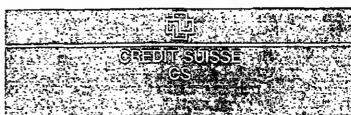


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Dealers set for Germany to cut rates

on the day, at DM1.6375, while sterling gained 1.25 pfennigs to

In Paris yesterday, Mr Hel-mut Schlesinger, Bundesbank preaident, congratulated

France on having lower inter-

est rates than Germany, due

to its better inflatton

He told the Senate that France had relative "economic and monetary stability, while in Germany we cannot boast

about the same stability in

prices" - an indication that the Bundesbank is still concerned

about Germany's inflation rate, which is a couple of points

But Mr Schlesinger said the

Bundesbank had at least "kept the D-Mark stable for 40 years

and intends to go on doing

He quashed any speculation that the German and French

central banks might establish a close bilateral link. An inde-

pendent Bank of France has been approved by the National Assembly, and action by the

Lengthy and close co-opera-

tion between the French and

German central banks had

taken on a "particular dimen-

sion" during the franc crisis, but this needed no further reinforcament beyond the

links that bound all EC

central banks, Mr Schlesinger

above France's.

and David Buchan in Paris

FOREIGN exchange dealers believe the Bundesbank may cut short-term interest rates at its council meeting tomorrow after one of the central bank's leading members said German money supply might have fallen within acceptable targets

Mr Johann Wilhelm Gaddum, Bundesbank directorate member responsible for credit market operations, said yesterday the country's M3 money supply growth may have moved within the Bundesbank's stated target range of 4.5-6.5 per cent on an annualised basis.

in the first four months of this year M3 money supply overshot the Bundesbank's tar-get, expanding at a seasonally adjusted and annualised 7.0 per

However, in an interview with the AP Dow Jones news agency Mr Gaddum said "money supply developments could indeed move back within the corridor, in line with the economic cooling-

Dealers speculated that slower money supply growth could give the Bundesbank its first opportunity in more than a month to cut rates at its

The news helped the dollar close up more than a plennig said.

Romanian **IMF** deal delayed by budget

By Virginia Marsh In Bucharest

ROMANIA will have to amend its 1993-1994 budget and make further spending cuts before a new stand-hy arrangement with the International Monetary Fund can be signed, Mr Misu Negritoiu, deputy prime minister, said in an interview

The delay in signing a new IMF agreement to replace the previous one, which expired in March, is holding up some \$3bn in foreign credits.

Mr Negritoiu, who has responsibility for economic reform, said the IMF put the 1998 budget deficit at 5 to 6 per cent of GDP, rather than the 4 per cent projected in the bud-get approved in April. He said that if parliament

accepted the amendment before the summer recess, a new agreement could be nego-tiated by July. A nationwide train drivers strike severely disrupted services for the second day run-

ning yesterday. SNCFR, the railway administration, declared the strike illegal and pledged to take action against union leaders. Under Romanian regulations, one-third of services must be maintained even during a general

The train drivers' union called its 32,000 members out on strike on Monday, demanding a 40 per cent pay rise rather than the 16 per cent



French waste-paper collectors jammed traffic in parts of Paris yesterday morning in a protest over German imports, which have driven down the prices they obtain from paper manufacturers using recyclable products, Reuter reports. They blocked several main roads with trucks and piles of old paper and cardboard. Paper collection companies say 27,000 jobs in the industry are threatened.

to block rivals' aid

MATRA, the French car and aerospace company, yesterday lost a long court battle against a large state aid package approved by the European Commission for a rival joint venture created by Ford and Volkswagen, Reuter reports

The European Court rejected its appeal against Brussels' decision in mid-1991 to allow the Portuguese government to give Ecu547m (\$658m) to the Ford/VW venture in Setubal. The court said the Commission had done all that was

required of it in investigating the case under EC rules on state aid. About three-quarters of the aid is money which Portugal received from Brussels in EC development funds. VW and Ford are teaming up

to hulld luxury, family-oriented vans that will rival Matra's Renault Espace model.

Matra fails SPD leaders ready to support Telekom sale

THE LEADERSHIP Germany's opposition Social Democrats intends to support a government plan to privatise Deutsche Telekom, the stateowned telecommunications monopoly, and circumvent opponents within their own party ranks.

Mr Hans Bernrath, leader of the party's team which negotiated the privatisation plan with the government two weeks ago, said SPD members of parliament would not vote on the plan, but would simply be canvassed on the issue. SPD politicians favouring the privatisation fear that a formal

vote could result in the parlianentary party rejecting the plan by a narrow majority. The planned informal poll will enable the government to start drafting the bill, which it

intends to put before parliament by October. The decision follows intense

pegotiations among SPD parliamentarians over a privatisation agreement signed between representatives of the SPD and the government on May 28, after a year of difficult negotiations. The government needs opposition support in order to change the constitution to pave the way for privatisation. The plan is to create a state holding company under which three independent joint stock companies would operate: Dentsche Telekom, tha telecoms monopoly, the Post Office and the Postal Bank. This structure was devised to win

the SPD team's approval. However, it has yet to gain support among many SPD parliamentarians, some of whom fiercely oppose the outright privatisation of Deutsche Telekom and of the postal services. As with other privatisation projects in Germany, the future of Deutsche Telekom now depends on the ability of the SPD parliamentarians to overcome their internal divi-

sions. A large number of them oppose privatising Deutsche Telekom on the grounds that a private company would no longer fulfil its obligations owards poorer and less populated regions. They are also representing the views of the post and telecoms union which fears losing members. The telecoms ministry, for

Its part, has offered to keep a 50 per cent-plus-one share stake in Deutsche Telekom, ensuring the state some say over its management. The government also argues that creating a holding company will

California resh e attacked resta on unitary taxation osliia

By Andrew Jack

CALIFORNIA'S system of a unitary tax based on the worldwide income of maltinational companies came under criticism from a senior official of the UK's Inland Revenue at the Financial Times international tax conference in

London yesterday. Mr Leonard Beighton, dep nty chairman of the Inland Revenue, said California's approach could only have arbitrary and bizarre" results. His comments follow: the threat of retaliatory action against Californian compani with UK operations by the chancellor of the exchequer last month if the state does not

lessen its demands. He said tha Revenue had written to these companies to ess the extent of tax credits of which they would be deprived, but stressed it hoped

instead for co-operation. Mr Beighton stressed the importance of maintaining internationally agreed tax prin-ciples, especially the impor-tance of the arm's length prin-ciple of taxing companies by the profits made in a country and not on worldwide income.

Mr James Mogle, a partner

with US lawyers Sutherland, Asbill & Brennan and former international tax counsel at the US Treasury, told the con-ference that Congress had not so far taken the British threat seriously. But he warned that any attempt to impose retaliatory action would be seen by Congress as an attempt to over-ride the arrangements negotiated in the current US-UK tax treaty. That could eopardise other treaties

Mr David Carr, from the European Commission's finan-cial institutions and company law directorate, said the EC was pursuing plans to extend proposed tax directives to cover enterprises resident and subject to corporate tax in any member states, with progress expected "before too long".

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Shift in EC funds urged By Tim Coone in Dublin training early school-leavers and on EC budget controllers,

PRIORITIES in disbursing EC structural funds in Ireland need to be changed significantly, says a a report pnb-lished yesterday by the Dublinbased Economic and Social Research Institute (ESRI).

The report, commissioned by the Irish government's Department of Finance, recommends more resources be directed at

and the long-term unemployed. It says the emphasis of rural development funds should be shifted from extensive grazing to forestry and industrial policy should give greater emphasis to supporting medium-sized Irish-owned companies than to foreign investment,

The recommendations are likely to have a significant influence on the government,

as the former draws up its spending plans for an esti-mated ISBn (\$12bn) that is expected to be available to Ireland in EC structural and cohesion funds between new and the end of the decade.

The report notes that the inflow of EC structural funds to Ireland over the past two years was equivalent to 3.5 per cent of GNP.

Ministers get line on phone plan for full Itheralication of telecoms in last month's min- played down the change in

ministers today have their first chance for detailed debate on ambitious plans to open all telephone calls to competition by 1998 - and possibly their last chance to agree a deal on funding for the promotion of advanced television services in

Telecommunications ministers, meeting in Luxembourg, are set to discuss the European Commission's proposed deadline of January 1, 1998,

domestic and international isterial reshuffle.

Commission officials say the plan is supported by an influential quartet of Britain, Germany, France and the Netherlands, but several smaller member states may press for a

Meanwhile, advocates of an EC wide-screen and high-defi-nition television (HDTV) strategy are pluning their hopes for a deal on the replacement of the hardline Mr Edward Leigh as UK minister responsible for

mission, and of the Dutch and French governments, British opposition, spearheaded by Mr Leigh, has helped force changes to the original HUTV strategy. Mr Leigh has been replaced by Mr Patrick McLoughlin, a former junior employment mintster, who will have to decide whether to accept compromise plans for Ecu228m (\$278) of EC funding up to the end of 1996.

substance of the plan at the last ministers' meeting in May, while justiting that the UK could not sign up to a plan worth more than Ecul50m.

Officials from Belgium, which will take over the EC presidency in July, have already indicated that if a deal is not struck today, they see little room for improving the current compromise to meet British objections. British diplomats bave Bigger picture, Page 13

JAGUAR DRAMATICALLY RETURN TO LE MANS, THE SCENE OF

For the first time since their impressive series of victories at Le Mans ~ the official Jaguar Team is back ~ and they are sponsored by Unipart!

When Jaguar announced their return to this most famous of endurance races with their new 'super car', the XJ220C, it was obvious they would require a backer with the same international reputation for excellence as their world-famous marque. So it was no surprise when laguar chose Unipart to be their main sponsor. Not only will be Mans be a tough testing ground for a number of Unipart products, but the fact that the three XI220Cs will carry the Unipart name further underpins the close business relationship between the two companies; illustrating the total commitment Unipart has to providing the highest level support for its world-beating customer.

This relationship is based on the world-class track record of Unipart Demand Chain Management (DCM) in supplying consistently high levels of service to Jaguar over a number of years - now Jaguar dealers in the UK have come to rely on the Unipart 24-hour parts operation. And it's a fact that over the duration of the race, Unipart DCM will have delivered 20,000 automotive components to luguar customers workl-wide! This level of service provided by DCM has resulted in Jaguar signing a long term agreement with the Unipart Group of Companies to manage its parts operation into the 21st century. And, as you would expect from the manufacturers of

Britain's fastest car, they also have Britain's fastest parts delivery service - Unipart, the parts supplier the Big Cats prefer.

BRITAIN'S FASTEST PARTS SERVICE

Unification changes the place of women in the new German home

"UNIFICATION has not been kind to the women of eastern Germany," says Ms Barbara Pfeiffer. In 1989, demonstrations in her home town of Leipzix spawned the people's revolution which brought down the Berlin Wall. Two years later Ms Pfeiffer lost her job when the chemicals factory where she had worked for 25 years closed down.

Ms Pfeiffer, however, was sufficiently dstermined - and lucky, she says - to find a part-time job with a local construction company. Many women, who have borne the brunt of the surge in unemployment in eastern Germany since unification, have not been as fortunate.

The official April unemployment total of 15.4 per cent hides the extent of the problem. Including those on job creation and training schemes and those who only have part-time jobs, about 30 per cent of the workforce are without full-time work. Two thirds of the unemployed are women.

By contrast, East Germany guaranteed employment to more than 90 per cent of women, who accounted for 49 per cent of the labour force in 1989. "The regime needed us," explains Mrs Pfeiffer. "It wanted to show there was equality under the communist system and it wanted us to work because many had fled before the Wall went up in 1961. We also needed the money, even though we were paid less than men," she adds. Although the chemical plant where she worked turned out low-grade products, bealth

standards were almost non-

existent, and few employees

ment chosen for their loyalty to the communist party, "was a job," says Ms Pfeiffer.

The state's abundant provision of child-care made it easy for women to work. Until 1989, 80 per cent of children under three had a creche place, 95 per cent of pre-school over-threes attended kindergarten, more than 80 per cent of those aged

Judy Dempsey finds that women in the east feel they have paid a high price

six to ten received day-care after school, and 90 per cent of children attended cheap holiday camps. There are fears that the

number of kindergartens will soon be reduced. Some people complained that the kids would be indoctrinated by the stupid communists," says Ms Gaby Schwartz, a 37-year-old Rast Berliner. "But the childcare system in western Ger-many appals me.

in the western states, 2.3m children compete for 600,000 partially subsidised state childcare places. Generally, howaver, many women employ nannies, or stay at home with the children.

According to the federal ministry of women and youth, there is an overcapacity of kindergartens in eastern Germany. "About 120 places exist for 100 children. The local comwere motivated by a manage- munes will have to decide where to cut back." It said east German women would in future have to pay for child

Such a move would come on top of the scrapping of the former East Germany's generous child benefits. Unemployment and the abolition of those benefits - has slashed the birth rate from 2.5 children per family to 1.3, as low as in western Germany and one of the lowest

in Europe. Unification bas also impinged on the former East Germany's liberal abortion laws. "In the old days, women in eastern Germany had one hig freedom: abortion on demand. We could not understand wby it was illegal for West Germans to have abortions," says Helga Kokoschka, an unemployed 28-year-old mother of two children.

Ahortions were a common form of birth control, as in all of eastern Europe. Yat East German women saw abortion on demand not in ethical or moral terms, but as a political issue where women had com-plete freedom of choice. "The state never dared interfere. This was our one area of freedom." says Ms Pfeiffer.

Thus the German constitu-tional court's ruling last month that abortion should remain iliegal and only available under certain conditions has angered many east German women. "The new unified state is imposing its will on us," says Ms Pfeiffer. "Our choice to work and control our own lives have disappeared."

East German women have had difficulties coming to terms with the multiple chalenges of unification. Ms Eva studies at Britain's Keele University, who is studying the position of women in Leipzig since 1989, says an entire generation of women have lost out as a result of unification. Those in mid-career, in their 30s or early 40s, will find it very difficult to re-enter the

labour market," she says. Ms Kolinsky is hopeful, however, for the next generation. More women are attending university. They see qualifica tions as the key to entering the market, when it picks up," she says. "But the price has been high. An entire generation has lost their social status in the new Germany."

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THEIR PREVIOUS TRIUMPHS, WITH THE FABULOUS NEW X1220C.

black in first four months

By Hugh Carnegy in Stockholm

ENSO-GUTZEIT, the Finnish pulp and paper group which announced a large investment in eastern Germany last week. moved back into the black in

the first four months. The group returned a profit after financial items of FM86m (\$16m), compared with a loss of FM76m last time.

Group sales were up 21 per cent to FM4.09bn, while operating profits rose from FM496m last year, equivalent to 15 per

or more than 23 per cent of net sales, in the first four months this year. The improvement was attri-

buted to the effects of the devaluation of the Finnisb markka in autumn, higher capacity utilisation, and improved productivity. However Mr Jukka Harmala,

chief executive, warned it was unclear whether the upward brend would continue. He said uncertainty had increased lately over the key

factors of economic conditions

in Europe and price trends for forestry products. Excess supply had so far kept markets tight, Mr Härmälä said. Enso spent almost FM1.8bn

on capital expenditure in the first four months, mainly on completing a pulp mill and a combined cycle power plant in Finland.

It said the emphasis would now switch to international operations where tha main investment is a DM800m (\$493m) recycling plant east of Leinzig in Saxony.

Enso-Gutzeit returns to | Anger over Fondiaria L1,058bn rights issue

By Haig Simonian in Milan

INSURANCE analysts have voiced almost unanimous disapproval to Monday night's surprise announcement of a L1,058bn (\$724.16m) rights issue by Fondiaria, Italy's third biggest private-sector insurer. The insurer reported 1992 group losses of L578bn.

"This is a return to the bad old days of ignoring minority shareholders, just at a time when Italy is supposed to be changing," said one angry Lon-don-based broker.

Shares in Fondiaria, controlled by the debt-laden Fer-ruzzi Finanziaria (Ferfin) holding company, fell sharply in

f it had been anyone but the Roths-

That comment, from a leading Zurich

banker, sums up the reaction to a scan-

dal that has held the Swiss financial community spellbound for the past

year. In the latest chapter, the bank

revealed yesterday it had written off ST 270m (\$190.10m) provision for losses

The story began last July when

childs, they would not have been

Milan yesterday in response to the 2-for-1 rights issue, priced

st L6.500 a share Fondiaria stock fell by over 10 per cent to L24,101 from L26,843 as investors cut their losses by selling their holdings. The rights issue, which will halve Fondiaria's total group debts of L2.368bn, is seen as a barely veiled debt for-equity swap by Ferfin's five main

underwriting the deal. Gaic, the listed holding company which owns about 40 per cent of Fondiaria, is not expected to take up its rights. Gaic is 80 per cent-owned by Ferfin and the heirs of Mr Camillo De Benedetti. Ferfin owns about

creditor banks, which are

pendently of Gaic. Neither is thought to be in a position to .

acquire additional shares. On that basis, the five under-writers - Mediobanca, Banca Commerciale Hallana, Banca di Roma, Credito Italiana and Isti-tuto Bancario San Paole di Tormo - will end up with about 30 per cent of Fondiaria. The underwriters' stake could be appreciably higher if minority investors in Fondiaria fail to take up their rights.

Separataly, Mediobanca owns about 15 per cent of Fondiaria, while Generali, the Italian insurer with which it is closely allied, has about 7 per

Rothschild pays the price of a Swiss scandal

Ian Rodger looks at an affair which has forced the family to bolster bank reserves

debts to banks has reinforced fears that control is effectively being transferred to Ferlin's main bankers without launch-

ing a public tender offer, in the first step in the gradual dis-memberment of the Ferruzzi empire. Such transfers of control have been made more difficult under new stock market rules, but remain possible.

Although Fondiaria's future is still unclear, the group is not expected to survive in its present form in the long term. · Separately, shares in Ferfin and its subsidiaries continued falling heavily on the Milan price.

is roughly the same size as the stock of the group's five Fondiaria's L1,105bn group main creditor banks and most of the market in their wake.

Trading in Montedison, Ferfin's main industrial operation. was suspended for the second day running as dealers failed to fix a price between vendors and purchasers owing to the weight of selling pressure. The stock was eventually fixed at L779 for a fall of 20.1 per cent. Shares in Ferfin also plunged, by 10.4 per cent to L593.5 from L662.3 on Monday, while the Gaic holding company, which controls the Fondiaria insurance group, quoted at L815 on Monday failed to find s

Italian regional banks link up

By Halg Simonian

will buy up to 5 per cent of TWO of Italy's biggest regional Credito Romagnolo. Both sides have indicated the banks bave agreed to take swap promises to be the presmall equity stakes in each other in what could be the first lude to a gradual integration of step towards the creation of financial services in one of a private sector financial Italy's industrial heartlands. two banks specialise in retail services and lending to

Credito Romagnolo, the Bologna based bank in which Mr Carlo De Benedetti's Cir gronp is one of the most important shareholders, is to buy about 10 per cent of Cassa di Rispar-

Mövenpick may

be exposed to

By lan Rodger in Zurich

France leads in European state sell-offs, study finds

SFr5m claims

MOVENPICK, the Swiss botel and restaurant chain, yesterday said that Mr Wolfgang vom Hagen, its former chief executive officer, may have exposed it to claims of up to US investment bank.

Romagna region.

SFr5m (\$3.4m). The directors said they have over a dozen cases involving staff appointments and dismissals and other alleged violations of company law committed by Mr vom Hagen that could lead to claims. The statement alleged that Mr vom Hagen had given orders to external consultants without the knowledge of the management board, leading to charges of about SFr30,000 per working

day in 1992 but no results.

"The agreement is the first mio di Bologna, the city's step towards the creation of a of 1.11 500hm

By Peter Martin in London

EUROPEAN governments plan to privatise between \$100bn and \$150bn worth of stateowned companies in the next five years, according to a new study by Morgan Stanley, the

The biggest wave of privatisations will come in France. says the report, where the government plans to sell off assets valued at between \$30bn and \$40bn. Next comes the UK. with \$20bn, Italy (\$10bn-\$15bn). Swsden (\$10bn), Germany (\$8bn) and Spain (\$5bn-\$8bn).

The \$150bn of assets to be sold is equivalent to 10 per cent of total European stock market capitalisation, or 2.5 per cent of EC gross domestic

big Bologna bank," said Mr Gianguido Sacchi Morsiani, chairman of the savings bank. To launch their co-operation, the two banks will rationalise duplicated operations in some financial services and study setting up joint ventures in Credito Romagnolo, in which

small and medium-sized busi-France's Banque Nationale de nesses, which form the eco-Paris has over 6 per cent, has nomic backbone of the Emilia about 350 branches and deposits of L46,000bn (\$31bn). CRB has 110 branches and deposits

The likely privatisations are

concentrated in a few sectors

especially telecommunications

(between 15 and 20 per cent of

assets to be sold), energy and

utilities, Together, these make

np over half the value of

planned privatisations. There

will also be substantial sales of

state-owned banking and insur-

Mr David Roche, one of the

authors of the study, said he

expected governments to be

able to find buyers for these

shares as long as interest rates

fell and they offered appropri-

ate incentives to bnyers

together with a stable political

European Privatisation by

Richard Davidson and David

Roche, Morgan Stanley, 25

and regulatory framework.

ance institutions.

Rothschild Bank, the Zurich-based affiliate of N. M. Rothschild of London, announced it had to liquidate its SFr63.5m of hidden reserves to help cover SFr100m in loan losses. This was an immense loss for a bank

able to survive."

on bad loans.

with only SFr185m in capital and was supposed to be in the business of managing rich people's funds, not lending. A few days later, Mr Jürg Heer, the bank's credit manager, was arrested and charged with defrauding the bank. More details later dribbled out. Ths

tal base, and most of it had been loaned to one client, breaking Swiss law In October, Mr Heer, who had been freed by the Zurich police pending completion of investigations, made a series of sensational charges in the Swiss press. The bank was setting him up as a scapegoet, he said, and he would do his

amount of the losses was more than

SFr200m, undermining the bank's capi-

best to implicate others. He said the bank had been operating a "criminal system" to help rich Italians hide their fortunes from the tax authorities.

He claimed Rothschild had been involved in various schemes, even including the payment to the alleged murderers of Mr Roberto Calvi, the for-Cabot Square, London E14 4QA. mer chairman of Banco Ambrosiano



Sir Evelyn: net loss of customers 'not dramatic'

found hanging under Blackfriars Bridge in London in 1982. The bank yesterday again denied the allegations; "Ws are convinced that criminal proceedings will prove that Heer's statement as to a criminal sys-

tem within Rothschild Bank is untrue." The charges have caused immense damage to the reputation not only of the Zurich bank, but also to the Rothschild family,

"Obviously, we have lost some clients," says Mr Guy Wais, the general manager hired last autumn to straighten the bank out.

However, the Rothschild family closed ranks, injected SFr120.5m of new capital into its Zurich problem child and set about implementing the 100-odd recommendations for tightening up procedures made in a study by Coopers & Operating profits have been main-tained and Mr Wais says the net loss of customers is "not dramatic". Sir Evelyn de Rothschild, the chairman, writes in the annual report that the bank is "strongly placed to meet the challenges

A full picture of what actually went wrong must inevitably await the completion of investigations, but the broad

outlines are now clear.
The bank's troubles date from 1981 when Mr Gilbert de Botton, its original general manager, left to work for Mr Jacob, now Lord, Rothschild's bank in

London (which has no association with the Zurich bank). Baron Elie de Rothschild, head of the French family and then chairman of the Zurich bank, hired Mr. Alfred Hartmann, a Swiss banker, to replace him. By all accounts, neither Baron Elie nor Mr Hartmann was particularly attentive to the business, and a triumvirate

of line executives, including Mr Heer,

were left largely on their own. In the subsequent years, the bank would get into a conple of serious scrapes, making an illegal loan to the Zug-based international commodity dealers Marc Rich in 1984 and bnying some SFr11.8m worth of Jacob Suchard shares for its own account in 1991 when it was advising on a takeover bid for

the confectionery group, The bank's most fateful adventure, however, was financing the projects of Mr Karsten von Wersebe and Mr Wolfgang Stolzenberg, two German Canadians with an impressive record leading private consortia of European investors in North American property deals. Rothschild, through Mr Heer, provided loans to companies associated

with these two, mainly Castor and York

loans, which a lawyer for Mr von Wersebe has shown to the FT, reveals very large front-end commis Moreover, on occasions, Mr Heer

Hannover. The documentation for the

would observe that Rothschild's own lending exposure to the York Hannover-Castor companies was at its legal limit, so would propose organising some Rothschild clients into a private consortium to provide the loans through an offshore company.

In 1991, when the squeeze in the North American property market became acute, the lending increased to a level that began to arouse suspicion at the bank. And early last year, when both York Hannover and Castor col-lapsed, Rothschild found itself with a huge portfolio of worthless loans.

What remains at issue is who committed illegal acts. Mr Heer has admitted skimming off SFr30m in commis-sions on his lending activity, an amount that is remarkably close to the commissions shown in Mr von Wersebe's documentation.

Rothschild has maintained that Mr Heer was acting alone and hoodwinked the bank's directors and auditors. Baron Elie and Mr Hartmann, who was deputy chairman, have since left the board, and the bank's former auditors, KPMG, Fides Peat, have been replaced. Outsiders cannot understand how one

man could have committed a relatively small bank to SFr270m in loans without other directors being fully briefed. The Banking Commission's investigation is aimed at discovering whether others, perhaps including some officers

still at the bank, were complicit, Investigations are being seriously hampered by the disappearance of Mr

INDOSUEZ KOREA FUND S.A.

A Variable Capital Investment Company incorporated under Belgian law Rue des Paroissiens 27 B-1000 Brussels (Belgium) Brussels Trade Register No. 552493

The shareholders are invited to attend

the Annual General Meeting

which will be held at the company's registered office Rue des Paroissiens 27 B-1000 Brussels (Belgium) on Monday June 21st, 1993 at 3.00 p.m.

with the following agende:

- Report of the Board of Directors
- 2. Report of the Statutory Auditor
- Approval of accounts and allocation of results
- Granting discherge to the Directors and the Statutory Auditor
- Statutory elections
- 6. Miscellaneous

Shareholders or their proxy, who wish to ettend the Annual General Meeting should deposit their shares at least five days prior to the dete of the meeting et the company's office or with:

- Indosuez Bank Belgium Plece Sainte-Gudule 14 B-1000 Brussels (Belgium)
- Indosuez Asia Investment Services Ltd. Suite 2606-2608 One Exchange Square Central Hong Kong

Shareholders are advised that no quorum is required for the items on the agenda and that the decisions will be taken by simple majority of the shares present or represented at the meeting.

The owners of registered shares should inform the Boerd of Directors in writing at least five deys prior to the date of the meeting of their intention to attend the meeting and should indicate with how many shares they want to vote.

"The share issue being already oversubscribed, this announcement appears as a matter of record only"

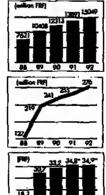
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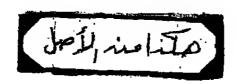


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INTERNATIONAL COMPANIES AND FINANCE

Nat Semi reports record earnings as sales top \$2bn

By Louise Kehoe in San Francisco

Serves

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NATIONAL Semiconductor, the US chip maker which last year restructured its global operations, reported record sales and earnings for 1992-93, lifted by a strong fourth quar-

Net earnings for the year ended May were \$130.3m, or 98 cents a share, compared with a loss of \$120.1m, or \$1.24, a year earlier, after restructuring charges of \$149.3m. Sales rose to \$2.01bn from \$1.72bn.

"Passing the \$2bn milestone in sales with record earnings represents a real resurgence of both growth and profitability at National Semiconductor." said Mr Gilbert Amelio, president and chief executive.
"I am gratified by the suc-

cess of our efforts to rebuild the company, and confident that we will be able to main-For the fourth quarter.

Texas, and Greenock, Scotland," Mr Amelio said. Over the past year, National cnt its workforce by 3,800 peo-ple to 23,400, cnt back produc-tion in California and sold an

assembly and test facility in Bangkok. Commenting on market conditions, Mr Amelio said that National expected orders to weaken during the traditionally slow summer quarter, but that sales may drop only mar-ginally below the fourth-quar-ter level.

National reported net earnings

of \$46.2m, or 35 cents a share,

on sales of \$557.9m, compared with net earnings of \$27.5m, or 22 cents, on sales of \$491.5m in

"The past year was a period

of tremendous progress at National Semiconductor. We

completed a large portion of

our planned restructuring

activities, including significant

expansion of our manufactur-

ing centres at Arlington

the same period last year.

16.5% stake in Talisman By Robert Gibbens in Montreal

BCE sells

BCE, Canada's biggest telecommunications group, is quitting the energy business with the sale of 16.5 per cent of Talisman, formerly BP Can-ada, for C\$326m (US\$251m).

BCE's 10.9m Talisman shares are being sold to a consortium of investment houses made up of Burns Fry, Gordon Capital, Nesbitt Thomsom and **Toronto Dominion Securities** at C\$30 a share. The investment group pro-poses to resell the shares

through the Montreal and Toronto stock exchanges with settlement due June 21. BCE, which is the parent company of Northern Telecom, diversified into energy via TransCanada PipeLines in the mid-1980s. In the past three years, it has sold its TCPL

shares, but was left with con-

trol of Encor, TCPL's explora-

British Petroleum sold its 57 per cent stake in Talisman in May 1992 for C\$373m.

Allstate

Exxon slowly recovers from shrinking pains

David Lascelles looks at the world's largest oil group as it emerges from restructuring

Exxon prefers to do things without much fuss. So when Mr Lee Raymond took over from Mr Lawrence Rawl as chairman of the world's largest oil company in April the message was very much: business as usual.

Mr Raymond, the company pointed out, had worked for six vears as Mr Rawl's president. and the last thing he was going to do was shake Exxon up.

It would be surprising if Mr
Raymond dld Institute big changes since Exxon is emerging from a substantial restruct-

uring caused by the squeeze in oil. What It wants is a period of calm to rediscover its roots. Under Mr Rawl, Exxon abandoned its skyscraper headquarters in Manhattan's Rockefeller Centre for a faceless office overlooking one of the many freeways leading out of Dallas in Texas, the home of US oil. It pulled out of the bold

diversification ventures that were fashionable in the early 1980s. It even retreated from Los Angeles, the city of the car, because it could not make sell-offs of a similar order.

enough money there. The restructuring has been a painful process, not helped by the 1989 Exxon Valdez disaster and the ensuing multi-billion dollar clean-up. Mnch of it was implemented by Mr Raymond, who was seen in some quarters of the US oil industry as Mr Rawl's hatchet man.

Exxon's shrinking pains were brought on by the collapse of the oil price in the late 1980s. In common with all the leading US oil companies, Exxon had become bloated in a market where growth provided the escape route out of diffi-culty. This time, Exxon was forced to cut costs, and find ways of doing more with less.

Over the past four years, it has got rid of refineries in Europe and North America, shut down over 4,000 service stations around the world, and cut its workforce from s 1989 peak of 104,000 people to 95,000. All told, Exxon's cutbacks have reduced costs by nearly

The restructuring ate deep into profits last year, when net income fell 15 per cent to \$4.8bn. But this figure conceals a strong final quarter which analysts say shows that the strategy is beginning to work.

earnings were flat. When Mr Raymond took over as chairman, he told shareholders: "There are great risks associated with our industry. But the corollary is that there are also many rewards and opportunities for companies which are able to adapt to change."

he most obvious result

In the first quarter of this year,

of the restructuring is that Exxon is a smaller company. This year Exxon expects to produce 1.7m barrels of oil a day, refine 3.6m and sell 4.8m. Twenty years ago, Exxon was a 6m b/d company all the way through. But Exxon expects to make more money the new way, and it \$1bn a year and resulted in intends to keep up its annual

investment programme of nearly \$1bn a year, though the growth prospects are abroad rather than on its doorstep. The new Exxon will not try

to compete across the breadth of the US market, but only where it is strong and can operate with low costs. Apart from Los Angeles, it bas retreated from South Florida, and it plans to cover the whole of the US with just three large refineries and one small one. Its US exploration effort has been curtailed to three main areas, all offshore: Alaska, Cal-

Exxon is still keen on the North Sea, particularly the Norwegian sector where it is the largest non-Norwegian acreage holder. It is especially interested in gas, believing that continental markets will develop stronger needs.

ifornia and Mobile Bay.

The most exciting prospects, Exxon believes, lie in the Asia Pacific region where it is making the heaviest investments. The company is expanding its refinery in Thailand, partici-

tion project in Hong Kong, and is developing oil and gas prospects off Malaysia. There is a possibility to explore for oil

onshore in China. One thing Exxon has turned its back on is diversification out of its traditional lines of business. This is partly because of costly lessons learnt from its forays into minerals and energy during the last decade, partly because it sees little change in the world's energy picture, with oil, gas and coal dominating.

The biggest change between now and 2010, it believes, will be driven by rising electricity demand in the Third World. This means that natural gas will gain in importance as more gas-fired power stations are built. But it also means that coal will be able to hold its 25 per cent share of energy consumption over that period. The loser will be oil because

of sluggish growth among its biggest consumers in the industrialised countries.

Deutsche Bank merges US securities divisions

DEUTSCHE Bank, Germany's biggest banking group, announced yesterday it was combining its US securities activities into a single snbsidiary, Deutsche Bank

Previously, Deutsche Bank's

Under US banking and securities industry regulations, the businesses of C. J. Lawrence and Dentsche Bank Capital were kept strictly apart, preventing the German bank from co-ordinating its activities between the two units, and hindering the overall develop-

The nsw subsidiary, bow-

10 per cent of the company's gross US-based revenues.

He said the regulatory restrictions involved in having two key units, DBCC and C. J. Lawrence, operate under separate banking and securities laws bad been burden-

The newly-united Dentsche among European investors.

Mr Rolls said the US operations of Morgan Grenfell, the UK investment bank 100 per cent-owned by Deutsche Bank, would not be affected by

Deutsche Bank Securities

By Patrick Harverson

securities operations in the US were divided between three units: the Wall Street equity research and brokerage firm C. J. Lawrence, the interna-tional securities and asset management businesses of Deutsche Bank Capital, and the treasury market primary dealership Deutsche Bank Government Securities.

in the US.

ever, will operate under Section 20 of the Glass-Steagall Act, which allows banks to engage in corporate securities dealing and underwriting activities if revenues from these activities do not exceed

Mr John Rolls, Deutsche Bank chief executive officer in North America, said the reorganisation was to ensure that a co-ordinated strategy for its US securities operations could be developed under one roof.

Bank Securities will take aim at the rapidly expanding market in cross-border securities. underwriting, broking and dealing. It hopes to help feed the growing appetite of US investors for European securities, and benefit from the growing interest in US stocks

the reorganisation.

will be based in New York. with about 500 staff. It will be run by Mr James Moltz, currently chairman and chief executive of C. J. Lawrence, and Mr Horst Risse, head of

Time Warner to raise \$750m in Lyons issue

By Patrick Harverson

TIME Warner, the US entertainment group, plans to raise \$750m through an issue of Liquid Yield Option Notes (Lyons), a form of bond convertible into stock. The money from the issue.

together with available cash, will be used to pay off more expensive Tims Warner debt. Although the issue has yet to be priced, the Lyons will pay a lower interest rate than the 8% per cent convertible subordinated debentures that are to be redeemed. The company said

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the Lyons issue was part of its refinancing programme to lower the cost of its debt and strengthen its balance sheet. Earlier this year, Time Warner redeemed \$3.6bn worth of convertible preferred stock in a share-buy back.

Correction Unitas

The Financial Times yesterday incorrectly reported the 1992 result for Unitas, the Finnish bank. The company returned a loss of FM2.7bn (\$491m).

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INTERNATIONAL COMPANIES AND FINANCE

Rising yen deals fresh blow to Nissan

The Japanese carmaker's president talks to William Dawkins and Michiyo Nakamoto

aroused a stir when it became the first Japa-nese carmaker since the second world war to announce a

plant closure.
The pain, while mild hy the standards of the wholesale joh cuts experienced by the US and European car industries, is not yet over, it was revealed yes-terday.

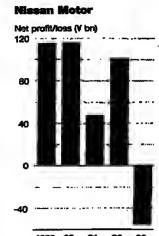
Mr Yoshifumi Tsuji, Nissan resident, said his restructuring plan had not taken account of the blow to export earnings dealt hy the yen's unexpect-

edly steep rise.

This was the first time that the yen had appreciated significantly against both the dollar and the D-Mark, hitting Nissan's price competitiveness in both the US and Europe, its main export markets, he

Nissan's options included price rises and another round of cost-cutting, although there was no definite plan yet, he

This comes after a year in which Nissan made its first oss as a listed company and had to announce the shutdown of the Zama car assembly plant near Tokyo, the main part of a plan to shed 5,000 jobs out of Nissan's 53,000 Japanese workforce over the next three



The company will not make any redundancies but will rely cent or so claimed by French car makers. on natural wastage, yet the need to shrink the husiness is a heavy blow to the pride of

truck group. Nissan's workforce might already seem lean by European car industry standards, a reflection of the fact that Japanese carmakers sub-contract more components to outside suppliers than do European

Japan's second largest car and

Nissan reckons that subcontracted components represent NISSAN CAR SALES 412,388 439,218

Attempts to reduce Japanese car export quotas to the EC and to count Nissan UK's production in the quotas were 'unfair and unreasonable,' Mr Tsuji said. 'We should be regarded as a fully-fledged member of the EC'

70 per cent of its manufactur- of Nissan manufacturing staff ing costs, as against the 60 per

Even so, Mr Tsujl warned that he might have to wield the knife again. Nissan had cut costs in pre-

vious downturns, "but then we tended to put on more weight, more fat than before" when a recovery materialised, he said. This time, Nissan would need to stay smaller, said Mr Tsuji, a man of gravity whose engineering background is said

to have earned him the respect

at the sharp end of the job

not have a hig impact on Nissan's financial position, Mr Tsuji says. But clearly Nissan believes the move was essential to adjusting to what it fears is a long-term market

"Until now we could always expect an increase in demand and we set our production capacity accordingly. But we can no longer expect demand to meet the 2.5m units per year

capacity Nissan has." The three-year plan aims to slim capacity to 23m units amu-

The Japanese car market looked set for a recovery in the next six months or so, but Mr Tsuji saw no sign of an upturn in Europe, where Nissan sales volumes fell 10.4 per cent in the first five months of the year in a market down 17.3 per

Asked about the outlook for his Japanese competitors, Mr Tsuji said that the 11 car and truck makers could all survive on condition that they did not peach each other's market specialities. This contrasts with a wide-

spread view in Japan that the nation's car industry will need deep restructuring. The other cloud on the Japanese car industry's horizon is the growing trade friction with

the US and the European Com-Tensions with the Clinton administration posed more of a problem than did the EC's fresh bout of anxiety over Japanese car imports and local

production, Mr Tsuji said. Local content for Japanese carmakers was lower in the US than in Europe and Mr Tsuji recognised the need to increase that content in the face of the tensions.



Yoshifumi Tsuji: does not deny Nissan has reached a watershed

Here, it was a strength for Nissan to have a Mexican plant which exported engines and transmissions to Nissan's car assembly plant in Tennes-

Vehicle demand in Latin America was so strong that Mr Tsuji saw no room for Nissan Mexico to export vehicles to

The European Commission's attempts to reduce Japanese car export quotas to the Community and to count Nissan UK's production in the quotas were "unfair and unreason-able," he said.

The pressure for tighter quotas, mainly exerted by France and Italy, was a response to the moch steeper fall in European car demand than had been anticipated in the 1991

Japanese car imports accord. However, Nissan had no intention of changing its UK business plans in the light of all this. "We should be regarded as a fully-fledged member of the EC," Mr Tsuji

Like other Japanese carmakers, Nissan was studying the fast-growing Chinese mar-ket. But Mr Tsuji was cautious ahout Nissan's amhitlons there. "We still do not know how aggressive we should be in the Chinese market. The future of China is still uncer-tain," he said.

Clearly, Nissan will think hard before embarking again on the breakneck expansion of the past. Mr Tsuji does not deny that the Japanese group is at an important watershed.

Toyota may use Ford components in its cars

TOYOTA wili start design in development with Ford Motor's automotive develop-ment group in a deal which could lead to the Japanese car group using Ford components in its cars for the first time writes Michiyo Nakamoto in

Through the design-in deselopment agreement, Toyota will be studying whether Ford's cruise control system might be appropriate for the in its own cars, Toyota said.

The Japanese company

already buys components such as shock absorbers and radia tors from General Motors, for use in its cars manufactured both in the US and Japan.

Toyota cited the need to co-operate with foreign compa nies and to study what con nents could be bought from foreign companies as an important factor behind its decision. Toyota currently uses cruise control syste developed in Japan by its main Japanese components suppli ers such as Nippon Benso. Growing trade friction with the US, however, has forced-Japanese carmakers to consider buying more component

THE FIGURES SAY IT ALL.

1991/92 - % CHANGE Customer deposits +20.8Loans to customers Net profit Total assets Shareholders equity

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Parent Bank's figures as at 31st December 1992 US\$ m Customer deposits 14,527 Loans to customers 12,806 Net profit 117 Total assets 26,202 Shareholders' equity 1,285 (Exchange Rate Lira/US\$ as at 31st December 1992: 1470.86)

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ITALY'S LEADING PRIVATE



Joint Miramar bid hits valuation snag

By Simon Holberton in Hong Kong

MR Li Ka-shing and Citic Pacific's joint hid for Miramar Hotel and Investment has hit a snag with Miramar's senior executives claiming that the bid undervalues the botels and property group by up to HK\$2.5bn (US\$343m).

in a letter to shareholders, Mr Young Bing-Ching, Miramar director and general manager, said the overture from Mr Li and Citic Pacific, Beijing's main investment arm in Hong Kong, was not friendly, as Mr Li has claimed, and that it undervalued the company. He urged shareholders to seil until they

had received the opinion

of an independent valuer.

Last week, Mr Li and Cinc. launched a cash hid for Mira mar of HK\$15.5 a share and HK\$8.50 a warrant, valuing the company at HK\$8.7bn. The market's initial reaction was that the offer was too low and Miramar's shares have since been trading above the offer. Yesterday they closed at. HK\$16.70.

Mr Young claimed in his letter that Miramar's property. assets alone were "good enough to support (the company's] shares at HK\$20".

He said that Miramar was close to reaping the benefits of the work it had done in developing ties on the main-

Neither Citic or Mr Li had any comment to make on Mr Young's statement.

Minnesota Brewing moves bottling line into China

MINNESOTA Brewing Company, brewer of Landmark beer, is shifting one of its bottling lines to China under a Yuan37.5m (\$6.6m) agreement with the Zhengzhou Gold Star Beer Factory in the country's

central Henan province. "More bottling lines will be moved here when we finish the first phase of expansion," said Mr Li Jing, product promotion

manager of the Zhengzhou

will transfer its slack production lines to Zhengzhon, increasing output there to 150,000 tonnes from the present 100,000 tonnes. MBC's contribution will amount to Yuan14.8m

The Zhengzhou brewery will keep its Gold Star brand, but will use Landmark packagin for the additional 50,000

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Floating Rate Notes due 1994

In accordance with the provisions of the Notes, notice is hereby given that the Rate of Interest for the three month period ending 13th September, 1993 has been fixed at 6% per annum. The interest accruing for such three month period will be £154.52 per £10,000 Bearer Note, and £1,545.20 per £100,000 Bearer Note, on 13th September, 1993 against presentation of Coupon No. 14.



11th June, 1993

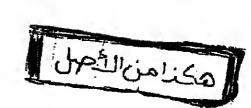
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ixed at 7,44219 % P.A.
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is hereby given that fur the six months period from 16 June 1993 to 16 December 1993 the notes will carry un interest rate of 3.44% per o of 3.44% per annum. Interest payable on 16 December 1993 will amount to US\$174.87 per US\$10,000 note and US\$1,371.67 per US\$250,000

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INTERNATIONAL COMPANIES AND CAPITAL MARKETS

for top Polish cement producer

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MANAGEMENT and workers, backed hy a consortium of Polish banks and foreign investors, have offered to purchase the Gorazdze works, the country's largest and most modern cement producer.
The bid, which is being con-

sidered by Poland's privatisation ministry, is in competition with a three-year effort hy CBR, the Belgian cement company, to purchase the plant. Tha CBR offer, which includes the purchase of the Strzelce Opolakie cement works nearby, has hean resisted by the trade unions at

Gorazdze which want to see

control of their plant stay in Polish hands. The consortium's offer marks the first time that shop floor resistance to a foreign takeover has been transformed into a rival bid backed by Polish banks and foreign investors willing to take a minority

The rival offer would see 35 per cent of the plant's equity go to management and employees while a further 16 per cent would be taken up by the Pol-ish Development Bank and 10 per cent would go to the Bank Przemysłowo Handlowy from Krakow. Both banks are state

Another 10 per cent would be purchased by Warta, a privatised insurance company, and 9 per cent by a British investment group. The US Congress financed Polish American Enterprise Fund is interested in purchasing a 10 per cent share in Gorazdze while the remaining 10 per cent would be sold through a public offer.

Gorazdze reported sales worth 1,017bn zlotys (\$59.5m) last year with net profits of 85bn zlotys and is looking for sales to increase by 7 per cent this year. It produced 1.9m tonnes of cement, or 11.6 per cent of Poland's cement output, last year and accounted for a quarter of the country's cement exports.

Consortium bids | US triggers disclosure revolution

Latin American companies are changing their ways, says Damian Fraser

HEN Telebras, Brazil's state-owned telephone company, makes its planned \$500m offering of Amarican Depositary Receipts later this year, it will join 34 Latin American companies listed on Wall Street. Five years ago there were none.

The transformation is a clear illustration of the extent to which foreign investment is being encouraged to support companies' capital plans and plug the gaps left hy Latin America's weak capital mar-kets and low savings ratios. The phenomenon is most

widespread in Mexico, where total foreign investment in the stock market is \$27.5hn, of which more than half is in UStraded ADRs. While this is around a fifth of Mexico's stock market capitalisation, analysts believe foreign investment accounts for more than 50 per cent of the volume of the most widely traded shares.
The result is that US inves-

tors, usually through purchases of ADRs, dictate events in the Mexican market. Stock markets in the US open before Mexico'a, and the performance of the ADR of Telmex, the telephone monopoly, in New York



Pedro Aspe: hopes that reforms will benefit Mexican brokers

often dominates Mexico's When Cementos Mexicanos

(Cemex) hought the Spanish cement companies Sanson and Valenciana last year, US investors rushed to sell, worried at the prospect of the Mexican company becoming 40 per cent Spanish in terms of sales.

Mr Gustavo Cahallero. Cemex finance director, says that US analysts did not believe a Mexican company was capable of taking such a bold step into foreign husi-

However, the dependence on foreign capital might improve the way some Latin American countries are run and analysed. Once controlled by just a few dominant shareholders. companies in the region often ignored minority investors. "Latin American companies

need a shake-up in the way they disclose information and what they say to the market," says Mr Terence Mahony, of Baring America Asset Manage-

A growing number of compamies are responding to US analysts' requests for information, and under US regulations face more stringent disclosure rules than they do at home. On a recent holiday in Naw

York, the head of the Mexican company Interceramic visited investors to explain his strategy - a move that would have been unthinkable a few years ago. Banamex (Mexico's largest bank), Bancomer (the second largest), Cemex and others have hired public relations firms in the US, and employ investor relations executives. Local broking houses are changing their practices. In

Brazil companies used to he valued according to price-tobook value. But with the growing presence of foreigners, price-to-earnings value analysis has become more prevalent. Similarly, local brokers rarely made earnings forecasts, preferring to rely on historic earnings. Now almost all produce

ven governments are beginning to wake up to the international competition their stock markets face. Chile recently reduced from three years to one the mini-mum period that foreigners had to hold initial capital in a stock before selling. Mexico has unveiled a aeries of reforms allowing international stocks to be listed in Mexico and bringing regulations closer to US levels.

Mr Pedro Aspe, Mexico's finance minister, hopes that the reforms will bring share trading activity hack to Mexico. This would enable local brokers to earn commissions from trading in Mexican stocks, since more foreign investment would be made in the underlying stock market in Mexico and not in the ADRs.

TRONOH MINES MALAYSIA BERHAD Uncorporated in Malaysia NOTICE OF MEETING

NOTICE IS HEREBY GIVEN that the Seventeenth Annual General Meeting of members of Tronoh Mines Malaysia Berhad will be held at the PNB Theatrette, 2nd Floor, Menara PNB, 201A, Jalan Tun Razak, 50400 Kuala Lumpur, Malaysia on Tuesday, 13th July, 1993 at 11,00 a.m. for the following purposes:

To consider and, if thought fit, pass the following as ordinary resolutions: 'That the Directors' Report and Accounts for the year ended 31st January, 1993 and the Auditors Report theireon be and are hereby received and adopted."

That the final dividend of 30 sen per share, less tax at 34%, be and is hereby approved and declared payable on 17th August, 1993 to members registered at the close of business on 23rd July, 1993.

'That Tuan Haji Faisal Siraj, who retires by rotation, he and is hereby re-elected a Director of the Company." 4. 'That Tuan Haji Mokry bin Dato' Mahmood, who retires by rotation, be

and is bereby re-elected a Director of the Company.

That Messis KPMG Pent Marwick, who are eligible and have given their consent for re-appointment, be and are hereby re-appointed the Company's Auditors for the period until the conclusion of the next Annual General Meeting and that the remuneration to be paid to then be fixed by the Board."

By Order of the Board DARMAWATTI DAHARI

Kuata Lamou 16th June, 1993

NOTES:

it. A member entitled to arrend and vote at the meeting is entitled to

need not be a member of the Company. A form of proxy to be valid must much the Registrars' office at Perma Churter Management Sendirlan Berhad, 32nd Floor, Menara PNB 201A, Jalan Tun Razak, 50400 Kuala Lumpur, Malaysia or The United Kingdom Registrars' office at Barclays Registrars, Bourne House, 34 Beckenham Road, Beckenham, Kent BR3 4TU. England not less than 48 hours before the meeting.

appoint one or more proxies to attend and vote in his stead. A proxy

iii There are no Directors' service contracts required by The Londo Stock Exchange to be made available for inspection at the meeting.

Foodland to merge unit with NZ chain

By Bruce Jacques in Sydney and Terry Hall in Wellington

RATIONALISATION is continuing apace in the Australian and New Zealand grocery industries, with two deals announced yesterday worth a combined total of about \$A120m (US\$81m).

Foodland Associated, the Australian grocery group, will operations with those of Progressive Enterprises, one of the country's biggest supermarket chains.

The proposal follows the purchase by Foodland of a 38.6 per cent. NZ\$128.2m (US\$69.7m) stake in Progressive, formerly held by fellow Australian group Coles Myer. Progressive will pay NZ\$101m for Foodland's New Zealand retail and wholesale assets hy issuing 54.6m shares at NZ\$1.85 each.

Progressive said that with dividend entitlements and timing differences, the price was equal to the NZ\$2 a share paid by Foodland for Coles Myer's shares in Progressive.

The deal will make Progressive a subsidiary of Foodland, raising the latter's shareholding from 43 to 57 per cent. The combined group would account for about 34 per cent of New Zealand's supermarket sales, making it the second largest such organisation in

the country. Davids Holdings, Australia's biggest food wholesaler, paid \$A37.8m for a 19.9 per cent stake in its South Australian rival, Independent Holdings.

Hungary deal for Belgian developers

IMMOBILIRRE de Belgique, the large Belgian property group, has paid BFr74m (\$2.2m) for a 35 per cent stake in Core, a Hungarian property developer, Reuter reports from

The Belgian company has also committed at least a forther BFr260m towards the construction of a business comnlex in Budapest. Core has applied for a

permit to bnild a husiness complex on an 18.6 hectare site in Budapest, the company said. Immobel said that one of the

German shareholders of EGLB Beteiligungs - a private holding company in which Immo-bel has a minority stake - had also bought a 35 per cent stake

Canadian cinema group optimistic

CINEPLEX ODEON, the Canadian cinema and film distribution group controlled by the Montreal Bronfman family, expects to return to profit in the third quarter of this year, writes Robert Gibbens in

Montreal. The group made a firstquarter loss of US\$10.8m on revenues of \$116m, against a loss of \$13.9m on revenues of \$129m a year earlier.

Debt had been reduced from \$700m to \$385m, cash-flow was positive and operating expense was under control, Mr Allen Karp, president, told the AGM. In 1992 Cineplex lost \$41.3m on revenues of \$518m.

Although Cineplex has been heavily restructured, and theatres in several marginal US markets have been sold, it is still one of North America's largest cinema operators. The group has 1,614 screens

NEWS DIGEST

■ UNIT TRUST of India, India'a largest mutual fund group, is to launch its India Liberalisation Fund in the US, writes R. C. Murthy in

Bombay. This will be the third country fund, slated for launch in August-September, after a gap of more than four years.

The first, the sterling-denominated India Fund, was floated from Guernsey for £75m (\$115.5m). This is to he converted into an open-ended fund from July 1. India Growth Fund is dollar

denominated and listed on the

■ THE International Swap Dealers' Association, the trade group representing the derivatives industry, plans to change its name to international Swap

and Derivativea Association, writes Laurie Morse in Chicago.

"When ISDA was founded in 1985, the terms 'swaps' and 'over the counter derivatives' were virtually interchangeahle," said Mr Joseph Bauman, ISDA chairman and head of global derivatives for Citibank.

"At that time our name accurately conveyed our focus," Mr Bauman explained. "In addition to interest rate and currency swaps, ISDA covers a variety of options-based prod-ucts, 'swaptions', FX and currency options, OTC equity and commodity-linked transactions, and other instruments."

M SYNTHELABO, part of the French L'Oréal group, has acquired Alcon's Couvreur Pharma, a Belgian company specialising in over-the-counter medicines, Reuter reports from

Fiduciary Issue by Kredietbank S.A. Luxembourgeoise to fund a loan to be made by it to

ISVEIMER

Istituto per lo Sviluppo Economico dell'Italia Meridionale

Italian Lire 150,000,000,000 Floating Rate Notes due 1997

In accordance with the Tarms and Conditions of the Notes, notice is hereby given that for the Interest Period from Juna 16, 1993 to September 16, 1993 the Notes will carry an Interest Rate of 10.625 % per annum. The Interest Amount payable on the relevant Interest Payment Date. September 16, 1993 will be ITL 135,764 per ITL 5,000,000 principal amount of Note and ITL 2,715,278 per ITL 100,000,000 principal amount of Note.

> The Agent Bank Kredietbank S.A. Luxembourgeoise



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FUTURES PAGER

SCHNEIDER S.A.

SOCIÉTÉ ANONYME Incorporated in France with limited liability
Registered office: 4, rue de Longchamp - 75116 PARIS

NOTICE OF GENERAL MEETING

The General Meeting of the Masse of the holders of the 2 per cent guaranteed Exchangeable Bonds due 2003 of SQUARE D Company, invited by a first notice to attend the General Meeting on 9th June 1993, having been unable to deliberate, the quorum being not present, the holders of such bonds are Invited to attend the General Meeting to be held on 25th June 1993, at 9.00 a.m. at the office of the Compagnie Financière du CIC et de l'Union Européenne. 4 rue Gaillon PARIS 2°, lo consider the following agenda:

. The approval, subject to the decision of the General Meeting of the shareholders

of SCHNEIDER S.A., of the authorization given to the board of Directors of

· issue shares of SCHNEIDER S.A. with or without warrants for a maximum

issue bonds, other tradeable securities or subordinated securities which are convertible into, exchangeable for or reimbursable with, shares, for a maximum nominal amount of FF 5 billion,

- issue warrants representing subscription rights to an aggregate number of shares which can total no more than a nominal amount of FF 3 billion.

tn connection with any such issuance of Securities and shares, SCHNEIDER's shareholders should renounce any preferential subscription rights.

· The approval, subject to the decision of the General Meeting of the shareholders of

SCHNEIDER, of the authorization given to the Board of Directors to approve the issuance of shares in connection with the issuance, by companies in which SCHNEIDER holds, directly or indirectly, a majority of the outstanding share capi-

tal. of warrants, bonds, other tradeable securities or subordinated securities which

are convertible into, exchangeable for or reimbursable with, shares. In connection with any issuance of shares, SCHNEIDER's shareholders should renounce any preferential subscription rights. Furthermore the issuance of any such shares is limited to an aggregate nominal capital increase of FF 3 billion.

In the event of death, retirement or renewal of one or more of the initial Represen-

The nomination of two substitute representatives of the "Masse".

tatives they will be automatically replaced by one of the substitutes.

In order to attend or be represented at the meeting, holders of bonds must deposit, at least live clear days prior to the meeting at the head office, the certificate of deposit, issued by the bank, financial institution or stockbroker with whom the bonds are lodged.

74, avenue Fernand Lefèvre, 78300 POISSY Substitute of Mme de la TAILLE

M. Frédéric BOBO 12, rue de Phalsbourg, 75017 PARIS Substitute of M. PETARD

The report of the Board of Directors.

nominal amount of FF 3 billion,

SCHNEIDER S.A. to:

These representatives will be: M. Eric FOREST

A (FOLD BACK SO W MEETS BY)

(FOLD BACK SO'A' MEETS 'B')

 GOSH! FIRST HAVE LOTS OF FOOD PRESENTED NICELY IN BUFFET STATIONS **GET YOUR AUDIENCE TO WAIT... RIGHT** TO THE END, THEN MAKE YOUR POINT.

No-one gets yo clearer than us. Whether it's presentation or a th We use house graphics ar even If it's a bold typ can help. We're the Prese Phone us on

And your next

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fold under pressure.

ur message ocross

a short shorp ree day event. styles, new styles, music.

e or a bold tie, we

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ntation Company.

THE PRESENTATION, SLIDES, MUSIC, LIGHTING, SPEECH, GRAPHICS, CONSULTANT COMPANY

ALCATEL ALSTHOM COMPAGNIE GÉNÉRALE D'ÉLECRICITÉ Corporation organized under French Law (Société anonyme Head Office : 54, rue la Boëte - 75008 PARIS Registered Head Office : PARIS B 542 019 096

SECOND NOTICE Due to the fallere to reach the requested quorum for the General Meeting of the holders of 6 1/2% 1990-2000 Bonds of FRF 680 nominal value Issued by ALCATEL ALSTHOM COMPAGNIE GÉNÉRALE D'ÉLECTRICITÉ convened on June t 1, 1993,

the holders of these bonds are convened to a new General Meeting to be held 50 rue. Taibout · 75009 PARIS (France) on June 23, 1993 at 3.00 p.m., in order to deliberate on the same agenda similar as the one of the former General Meeting, namely: Board of Directors' Report.

Approval of the decisions proposed to the Mixed Meeting (Ordinary and Extraordinary) of shareholders, authorizing the board: to issue, with waiver of their proferential right:

bonds with share warrants,

shares by presentation of securities issued by companies in which ALCATEL ALSTHOM COMPAGNIE GENERAL D'ELECTRICITE owns directly or

to use, in case of public offering to purchase or exchange shares, the nut Decision on the method of recording the documents of the General Meeting.

In order to permit the bondholders to attend, or to be represented at this meeting, the Bonds or their deposit receipts, must be deposited at least five days before the date of the meeting, with one of the banks having participated in the placement of these Bonds and from whom proxies or admission cards can be requested. No quorum is required for

The Bear Stearns Companies Inc

U.S. \$200,000,000

For the three month period 15th June, 1993 to 15th September, 1993 the Notes will carry an interest rate of 3%% per annum with an interest amount of U.S. \$91.04 per U.S. \$10,000 Note payable on 15th September, 1993.

Bankers Trust Company, London

Agent Bank

Floating Rate Notes due 1994

DEVELOPMENT FUND OF ICELAND (FRAMKV/AEMDASJODUR ISLANDS) Established under the laws of the Republic of Iceland

U.S.\$35,000,000 Floating Rate Notes 1997

Retractable at holders' option in 1995

Notice is herein given that the Rate of Interest has been fixed at 5.25% and that the interest payable on the relevant Interest Payment Date December 16, 1993 in respect of U.S.\$100,000 nominal of the Notes will be U.S.\$2,668.75. June 16, 1993 By: Citibank, N.A. (Issuer Services), Agent Bank CITIBANC

Floating Rate Subordinated Notes Due 2000

5%% p.a

Credit Palese First Bassen Limited

£5,500,000 HMC MORTGAGE ASSETS 102 PLC

Any other business.

Caisse Nationale des **Télécommunications**

> FF 2,000,000,000 Floating Rate Bonds due 1997

Notice is hereby given that for the Interest Period 15th June, 1993 to 15th September, 1993 the Bonds will carry a Rate of Interest of

7.3789 per cent. per annum with a Company amount of FF 188.57 per FF 10,000 Bond and FF 1,885.72 per FF 100,000 Bond. The relevant Interest Payment Date will be 15th September, 1993.

U.S. \$400,000,000



THE BOARD OF DIRECTORS

Santander Financial Issuances Limited

Subordinated Undated Variable Rate Notes

with payment of interest subject to the profits of and secured by a subordinated deposit with Banco Santander, S.A.

(Incorporated in Spain with limited liability)

Notice is hereby given, that for the Interest Period from June 16, 1993 to September 16, 1993 the Notes will carry an Interest Rate of 4.125% per annum. The amount of interest payable on September 16, 1993 will be U.S. \$2,635.42 per U.S. \$250,000 principal amount of Notes.

By: The Chase Manhattan Bank, N.A.

CHASE

Univision Television Group, Inc. Offer foe Ali Outstanding Privately Placed

1t 14% Senioe Subordinated Notes due 2001 In Exchange for 1134% Senior Subordinated Notes due 2001 Registered with the Securities and Exchange Commission Univision Television Group, Inc. hereby gives notice of its offer, upon the terms and conditions set forth in the Prospectus and the lodenture, to exchange an aggregate principal amount of up to U.S. \$t40,000,000 of 114% Senior Subordinated Notes due 2001 registered with the Securities and Exchange Commission ("New Notes") for like principal amount of its issued and outstanding privately placed 114% Senior Subordinated Notes due 2001 ("Old Notes").

To make such an irrevocable exchange, Holders should obtain an Exchange Notice from the offices of any Paying Agent, return a completed Exchange Notice with their Old Notes (with all unmanuted compons appertaining theieto) to the office of Bankers Trust Luxemburg S.A., 14 Boulevard F.D. Rocsevelt, Luxemburg L-2450 on any bourg S.A., 14 Boulevard F.D. Rocsevelt, Luxemburg L-2450 on any low from and including 18th June, 1993 to and including 16th August, 1993 (the "Exchange Period"). New Notes will be issued promptly upon acceptance of Old Notes. The Exchange Period will close at 17.00 hours acceptance of Old Notes. The Exchange Period will close at 17.00 hours acceptance of Old Notes that Holders intending to exchange their Old Inc. respectfully requests that Holders intending to exchange their Old Notes for New Notes submit their Exchange Notice to the above office of Bankers Trust Luxembourg S.A. at their earliest convenience.

Holders may obtain from the offices of any Paying Agent a Prospectus further detailing the Exchange Offer.

Bankers Trust Company, London

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Agent Bank

Notice of Early Redemption BANQUE NATIONALE DE PARIS USD 600,000,000 Partly Pald Registered Floating Rate Notes Due 1995

Floating Rate Notes Due 1995 Notice is hereby given that pursuant to paragraph (a) of the Condition Cancellation ("Optional Cancellation and Redemption") of the terms and conditions of the Bonds, BNP has reflect for cancellation and reference. called for cancellation and redemp-tion on the next Interest Payment

Date raining on 21st July 1993 ("The Cancellation and Redemption Date") all the outstanding Bonds, at par The Bonds will cease to accrue interest on the Cancellation and Redemption Date. Payment of principal and accrued interest, if any, will be made to the persons shown on the register by transfer to the dollar account speci-

Date falling on 21st July 1993 ("The

Fiscal Agent, Registrar and Transfer Agent: Benque Nationale de Paris (Luxembourg) S.A. 24 Boulevard Royal

Luxembourg, 16th June 1993

U.S. \$200,000,000 MARINE MIDLAND BANKS, INC.

Interest Amount per U.S. 850,000 Note due 18th September 1568 U.S. 6670.83

NUZ PLU
Class B
Mortgage Backed Floating Rata
Notes due March 2021
For the Interest Period from
June 14, 1993 to September 14,
1993 to September 14,
1993 to the rate has been determined at 8,5375% per arraum. The
Interest payable on the ratevent
Interest payment data, September 14,
1993 will be £1,723,42 per £100,000
nominal amount.

By: The Class Manhettes Basis, M.A.
Lindon, Apact Basis
June 18, 1993

Bankers Trust Company, London



London, Agent Bank

INTERNATIONAL CAPITAL MARKETS

Dollar sector provides focus of attention

BORROWERS scurried to the dollar sector of the Eurobond market yesterday, launching a total of more than \$1.2bn in new bonds.

Some issuers were wooed into the market by the release

INTERNATIONAL BONDS

of favourable US inflation figures and dealers said the positive outlook was likely to encourage the launch of more Eurodollar deals in the immediate future, even though arbitrage opportunities were not

seen as especially attractive. Canada's Province of Ontario yesterday announced plans to issue a minimum US\$1bn global bond issue in the near future. LKB Baden-Württemberg, a state agency, is also due to raise \$500m with an into fixed rate sterling.
unusual Eurobond issue to be Outside the dollar sector, listed in both Luxembourg and

Singapore. Nomura, the lead manager for the triple-A rated deal, describes the issue as a "hybrid dragon-Eurohond" given that It is targeted at Asian and European investors and will have an Asian co-management group. The bonds were being priced at the end of the Hong Kong business

British Gas International Finance returned to the dollar market with a \$250m, 10-year

The borrower has launched deals in the Eurosterling sector recently and has seen yield spreads narrow substantially. The bonds were priced to yield 34 basis points over the US Treasury, and traded at 32-33 basis points over later in the day. The bonds were swapped the main talking point of the market was a successful FFr1.5bn deal from Nestlé Enterprises, the holding company for the French operations

launch of 7 basis points over the French treasury bond is the "tightest spread done in the French franc sector" in

BNP, the lead manager, rowed to 3-4 basis points, claimed the yield spread at reflecting the very strong institutional investor demand for the issue. Dealers pointed to the rarity value as the main reason for

the tight pricing and good recent memory. At one stage the spread narinvestor demand.

	NEW II	NTER	OITAN	NAL B	OND	ISSUES	
Borrower US DOLLARS	Amount m.	Coupon %	Price	Maturity	Fees %	Spread bp	Book runner
UKS Baden Württemberg Fin. US West Communications	500 300	(a) 5.825 6.25	R(s) R808.92 R80.88	34.2003 34.1996 34.2003	0.325R 0.3R 0.35R	+35 574 %-98	Nomuna International Morgan Stanley Intl. BZW/ Goldman Sachs Intl.
British Gas Intl. Finance Banco Crami Tcho Real Estats(b) ©	250 150 50	8.375#	99,8826R 100	Jun. 1995 Jul. 1997	1A 2.25		Santander Investment Bank Dalws Europe Peribes Capital Markets
Banco Bendelrentes YEN Inter-American Dev. Benk	40 40bn	10.259	99.85R	Dec.1995	1.15R 0.26R	+801 (c)	IBJ International
D-MARKS European Investment Bank	500	8.375	101.57	Jul.1998	1.825	-	DGZ
FRENCH FRANCS Nestlé Entreprises	1,5bn	6.5	99.834R	Jul 1998	0.25R	+7 (31/14-95)	BNP
GUTLDERS SNS Groep	250	7	100.9R	Jul 2003	0.39	+23 (c)	Bic. van Haften Labouchere

Treasuries improve in wake of inflation data

By Patrick Harverson in New York and Peter John

US TREASURY prices firmed across the maturity range yesterday morning in the wake of another set of positive inflation

By midday, the benchmark 30-year government bond was up & at 104 , yielding 6.794 per cent. At the short end, the twoyear note was also firmer, up 1/4 at 100%, to yield 4.040 per

The long-awaited May consumer prices figures proved bullish for bond market sentiment. The Labor department announced that the consumer

GOVERNMENT BONDS

price index last month rose 0.1 per cent, and the core rate (excluding the volatile food and energy components) rose 0.2 per cent.

The data was slightly better than analysts had forecast, and following last week's smallerthan-expected rise in producer prices, will help ease investors' fears about resurgent inflation. in particular, the May numbers make it unlikely that the Federal Reserve will raise interest rates to curb inflationary pres-

	June 15	June 14	June 11	June 18	June 8	Year	High *	LOW *
Govt Secs (UIC)	95.54	95.57	95.37	95.35	95.32	88.74	98.04	93.28
Fland Interest	111.96	111.87	111.85	111.67	110.99	104.37	112.83	108.67

band Interest high since			ACTIVITY		
des*	June 14	June 11	June 18	June 9	Jone 6
It Edged Surgales Day average	84.7 84.7	79.7 83.3	84.0 84.7	94.2 86.1	81.3 86.6
SE activity indices rebr					

sures in the economy, reducing much of the uncertainty that has dogged bonds for the past

Against this positive background, prices rose strongly in early trading. The initial gains. however, prompted some retail selling at the long end by midmorning as investors moved to take profits. The short end of the market

held on to most of its gains as big hedge funds loaded up on shorter-dated securities in the anticipation that short-term US interest rates will not be going

■ GERMAN government bonds fell yesterday as hopes of lower interest rates receded before today's repo announce-

The September hund futures fell 0.20 to 94.86 during official trading, principally because of

ET/IGHA INTERNATIONAL BOND CERTICE

profit-taking following Mon-

Sellers latched on to the Bundesbank's statement that today's repo rate would he variable. They inferred that the German central bank was not interested in steering the rate lower and that it would be held at 7.6 per cent again.

day's rally. In after hours trad-

ing, the contract recovered to

PROFIT-TAKING left its mark ou French government bonds in early trading. But the rate cut apologists moved in later and countered the selling pressure to leave long-dated bonds marginally firmer. The Bund-OAT spread nar-

rowed to 18 basis points as investors moved along the French yield curve. The trend towards buying at the long end has prompted some concern that the imminent auction of

Yield ago 7.57 7.79 9.000 08/08 112,0800 +0.020 7.23 7.35 7.42 7.250 08/03 98.5500 +0.050 8.000 05/03 100,3000 -0.150 6.75 OVOS 99.8850 -0.090 4.500 08/99 102.6124 +0.195 5.500 08/02 100.6978 -0.136 8.58 6.71 7.000 02/03 102.8900 NETHERLANDS 10.300 08/02 97,7299 -0.029 7.07 7.92 8.33 100-22 100-18 105-22 7.08 8.02 8.40

BENCHMARK GOVERNMENT BONDS

bonds will see poor interest, especially as there is already supply pressure from the impending issue of the so-called Balladur bonds.

On the Matif, the June futures contract was four basis points higher at 118,70 by the official close and continued firmer in after-hours trading.

■ UK government honds slipped before the chancellor's Mansion House speech on the economy. September gilt three months of falls.

7.15 7,41 7,51 8.78 8.87 8.78 11,500 05/03 99,6800 +0,290 11,891 12,18 12,44 10.70 10.77 11.15 London cleans "New York marries session Yields: Local market standard t Gross annual yield (including withholding tex at 12.5 per cent psysiols by non-residents.) Prices: US, UK in 32nds, others in decimal Technical DesiATLAS Price Sources

FFr15hn-FFr17bn of five-year futures lost most of the previous day'a gains falling & to

> The chancellor's commitment to low inflation will be encouraging to the bond market but there is unlikely to be a great deal to latch on to in what is now seen as a general appraisal of the UK's economic

Dealers will look to the release tomorrow of the latest unemployment data and expect a rise of around 10,000 against

Italy outlines a flexible approach to borrowing

Haig Simonian says one option is a global dollar bond offering as its plans get back on track

could be poised to issue one of the world's biggest global dollar bonds as borrowing gets back on track after political upsets and deht downgradings earlier this year. However, Mr Mario Draghi. director general of the treasury, stressed that the bond

was just one of a range of

options currently being consid-Italy's flexible approach has been reflected in the treasury's two latest deals. Last month, it launched an innova-tive swap offer, giving inves-tors in seven old Eurodollar bond issnes the chance to exchange their paper for one of two new bonds, depending on

maturity. The deal, which raised around \$300m in fresh money thanks to new issues accompanying the swaps, was followed this month by a \$2bn issue of

floating rate notes. The two transactions showed that Italy's foreign borrowing plans, heralded by a DM5bn bond in late January, wera back on track. When the D-Mark issue was launched, Mr Draghi said Italy hoped to raise between \$10bn and \$15bn on the Euromarkets this year, depending on market condi-

However, Italy's creditworthiness started to take a battering within days of the D-Mark deal as the widening political corruption scandal triggered a string of ministerial resignaAmato government's authority

into question. Political turmoil in turn raised uncertainties about Italy's ability to deal with its huge budget deficit, the core of its structural economic prob-

One reason for the republic's return to the Eurobond market after a two-year absence was to switch borrowing away from relatively expensive domestic lira deals. Since the Amato government had some success in cutting spending and raising taxes, servicing costs on the deficit now account for the bulk of the government's fund-

ing requirements. The political turmoil led to a rolatile period in the domestic bond markets, which were additionally huffeted by the decision by Moody's, the US rating agency, to downgrade Italy's credit rating to Al from

However, there has been a marked return of confidence in recent weeks, which treasury officials say is not reflected in the ratings. The appointment of Mr Carlo Azeglio Ciampi, the former central bank governor, as prime minister convinced dealers further action would be taken to tackle the deficit. Meanwhile, recent referendum resnlts suggest far-reaching political changes

are now under way. The decision to launch the bond swap was an attempt to "sound out the market and

THE Republic of Italy tions and called the former tighten spreads," says Mr Alberto Giovannini, the Columbia University professor now working as a full-time adviser to the treasury. Although only about 10 per cent of the eligible bonds were exchanged for the new paper, Mr Giovannini said the treasury was pleased with the

"A lot of the professionallyheld paper was locked up in asset swaps. And much of the retail sales had gone to Italian investors, who previously bought bonds free of withholding tax on the compons," he

But Mr Giovannini stressed the treasury's objective was not to tease out the maximum amount of paper.

7 ith fixed and floating rate dollar issues and a large D-Mark transaction under its belt, the treasury is now about half-way to meeting its \$10bn-\$15bn borrowing goal for 1993.

1.

Mr Draghi stresses the range is flexible. "We don't want to force anything down the market's throat," he says. "We're not pushing for tight

spreads at any cost. We're looking for the equilibrium spreads in line with what the market will take." With the risk of political upsets still present and the rating agencies so far sticking to their guns, the Italians cannot afford to take a more aggressive position at present.

UK building society in PIBS issue

NEWCASTLE Building Society, the UK's 25th larges building society, has placed its second issue of permanent interest bearing shares (PIBS). via Charterbouse Tilney, at the lowest yield spread over gilts yet achieved by any building

The £10m placement will be treated as core capital for building society capital adequacy purposes.
The shares will pay fixed

interest of 10% per cent, yielding 240 basis points over the 9 per cent gilt due 2008. This represents a substantial reduction from the spread on Newcastle's first deal, launched last September at a yield margin of 360 basis points.

Spreads on PIBS issues have tightened substantially, partly dne to unexpectedly strong demand from retail investors keen to buy relatively highyielding assets in the current low interest rate environment. The tightening of spreads is

also attributed to a shortage of stock in some issues, such as the first Newcastle deal, which is now trading at a spread of 203 basis points. A PIBS issue launched by the Halifax, the UK's largest building society, in January 1992 at a spread of 275 basis points, is now trading. at a spread of 170 basis

Given that the principal amount invested in PIBS is never repaid, some dealers. think that spreads are now looking very tight.

MARKET STATISTICS

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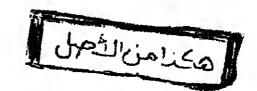
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Bradford Property falls to £21m | David Lloyd | Organic progress behind

By Vanessa Houlder, Property Correspondent

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BRADFORD Property Trust, the UK's largest tenanted residential property company, yesterday announced a fall in pre-tax profits from £23.1m to £21.1m for the 12 months to

The total dividend is increased by 21 per cent from 4.45p to 5.4p with a recom-

mended final of 3p.

The dividend is increased to a level that matches the surplus from property rentals after payment of tax and preference dividend.

The company's business centres on buying tenanted properties at a discount to reflect the statutory rights of sitting tenants under the Rent Acts and selling them with vacant possession.

Since the 1988 Housing Act, the company has been able to let property that becomes vacant free of rent controls. About 90 per cent of its portfolio is currently subject to rent

Dealing profits were down, from £12.2m to £9.45m, reflecting the state of the housing market over the last year. However, the surplus from property rentals increased from £9.79m to £11.8m.

This partly reflected acquisi-tions of new property, including a portfolio from Asda Property. It also resulted from larger rent increases The interest charge was £1.76m, against a credit last time of £15,000. That reflected the acquisition of property worth about £60m during the past two years.

Earnings per share fell from 10.76p to 9.87p. Net asset value per share fell from 175p to

COMMENT

The City was prepared to over-look Bradford's fall in profits yeaterday in favour of its exceptionally strong dividend prospects. This year'a 21 per cent dividend increase may be followed hy increases of between 15 per cent and 20 per cent for the next couple of

years, as rental surpluses swell. In addition to rent rises in its existing portfolio, the company may benefit from

more acquisitions. With gearing of 15 per cent, the company could, in principla, sink another £100m into new acquisitions. But like the property sector as whole, the shares are probably due for a period of consolidation. The shares, which yesterday dipped from 197p to 192p, are trading on a 7 per cent premium to assets, assuming a rise in net asset value to 180p next year. But taking a long term view, the shares should prove a rewarding play on an improvement in

Leisure beats **forecasts**

By Richard Gourlas

DAVID LLOYD Leisure, tha tennis court and health cluh group that floated earlier this year, exceeded its forecasts by returning interim profits ahead 84 per cent.

Pre-tax profits jumped from £1.06m to £1.94m on sales up 33 per cent at £8.75m. The large increase resulted from the inclusion of five new tennis and fitness centres that were not on stream in the first half of last year.

Mr David Lloyd, who launched the group after running similar centres in North America, said the group was ahead of schedule for the opening of its latest club in Glas-

Profits from existing clubs grew by about 7 per cent, held back by less than usual growth in profits from bowling. Mr David Gray, finance director, said the main growth would continue to come from the introduction of new centres which brought with them an immediate Increase in memberships. The group plans to introduce two new clnbs a

Earnings per shara rose from 2.8p to 4.1p. As forecast there will be no interim dividend; first payment will be at the end of the first full year. Mr Lloyd said that profits were normally heavily skewed towards the second half of the year but, because of the intro-

that would not be so marked this year. Nevertheless, the group was on target to hit the £5.5m pretax profit forecast made at the

time of the flotation.

duction of the new centres,

Volex advance to £7.3m ponent Manufacturing Systems

VOLEX GROUP, the electrical interconnection products company whose chief executive was headhunted by Farnell Electronics in May, doubled profits in the year to March 31. The shares rose 18p to 405p.

The rise from £3.68m to £7.34m was struck on turnover up from £81.8m to £106.1m. Mr Ken Hooper, finance director, said it was difficult to say how much of the advance was organic growth and how much derived from acquisitions because of the way the new companies had been woven into the group. However, Mr Bill Goodall, chairman, said that the result contained a "good amount" of organic prog-

During the year, Volex spent £8.5m on acquisitions. It added Icontec in July 1992 and Comin January 1993 to its Cable Products operation in the US. In October 1992 it also bought a 60 per cent stake in Mayor, the Singapore based maker of data and power cord

Guided by Mr Howard Poulson, the outgoing chief execu-tive described by Mr Goodall as "a good strategic thinker", Volex has become a worldwide supplier of cable assemblies to the compnter, medical and instrumentation markets. Mr Goodall said this global

strategy was a lesson learned from the wiring systems side, which supplies the automotive industry. Here Volex has withdrawn from supplying volume car manufacturera - which opted for global auppliers and has instead targeted markets such as off-road and agricultural vehicles, sports and

specialist cars, Rolls-Royce and Aston Martin. The division is being restructured and the St Helens factory was closed There was also a £654,000 bad debt provision from Leyland DAF taken as an exceptional

charge. Some 40 per cent of the growth at Pancon, the UK maker of power cords, was organic, the company said, and £3m of the group's £7.8m capital expenditure allowed capac-Ity to be increased. Legislation for the pre-fitting of plugs to electrical appliances is expec-

ted this year.

January's £17.5m rights issue
helped increase shareholders' funds to £38.7m (£29.5m) and at the year-end, Volex had net positive funds of £5.9m. The final dividend is lifted to 11.35p for a 17.85p (17p) total, payable from earnings of 22.5p (14.9p)

Johnson Fry launches utility trust

By Philip Coggan, Personal Finance Editor

JOHNSON FRY, the financial services company best known for its business expansion schemes, is launching its first investment trust. The Johnson Fry Utilities Trust will buy shares in privatised water, electricity, telecommunications

and gas companies. The trust will have a split capital structure with ordinary income and zero dividend preference shares. The zeros will have first claim on the assets of the trust and will grow at a rate equivalent to a gross redemption yiald of 9 per cent per year over the trust's 10

The income shares will receive all the dividends and the remaining assets after the zeros have been repaid. The initial gross yield on the income ahares is expected to be 9 per cent. Assets will have to grow at 3.7 per cent per year for the income shares to be repaid at their issue price of

Some 75 per cent of the portfolio will be in utilities. The remaining 25 per cent will be invested in irredeemable preference shares, to help boost the overall yiald. Further income will be earned by writing call options against part of the trust's utility holdings.

The trust aims to raise £40m, including £10m worth of zero

dividend preference shares. The issue expenses have been capped at 4.2 per cent and the the manager'a annual fee will be 0.5 per cent of assets.

Applications must be for a minimum of £3,000. Those who opt for the income shares can place them in a personal equity plan for an additional charge of £30 per year.

There is also the facility for a ahare exchange for those who own shares from previous privatisations. The trust will buy shares at the bid price at dealing charge. Any exchanges, however, must be made on top of an additional cash investment of £3,000.

The issue is sponsored by

close on July 6 (for income shares) and July 8 (for zeros). O COMMENT

A portfolio of ntility shares is

the residential property mar-ket.

such a natural choice for pri-vate investors that it is surprising no-one has launched an investment trust in this area hefore. Tha question is whether utilities have had such a good run that the trust is being launched at the top of the cycle. Certainly, with 25 per cent of the portfolio in preference shares, prospects for capital growth may be limited, given that income holdera already need 3.7 per cent annual growth in assets just to get their money back. That said, the recent falls in interest rates have created demand for high-yielding equity invest-ments and this onght to be safer than most. The zeros, which yield 9 per cent and are well covered, may be especially appealing to higher rate tax-

Aer Lingus may cut 1,000 jobs

By Tim Coone in Dublin

FURTHER management changes have been announced at Aer Lingus, Ireland'a loss-making state airline, in the lead-up to a substantial rationalisation plan which was discussed at cabinet level yester-

Thia is expected to be unveiled by the government before the end of the month. No official details have been released but the plan is thought to include voluntary redundancies of up to 1,000 out of 13,000 employees worldwide and reorganisation and possihle closure of some loss-mak-

ing routes. Mr Peter Owen, appointed

vou're looking

for could be

right in front of

chief executive three months ago, said the new management structure is "designed to give the necessary leadership and impetus to the major programme of change that lies

Other changes are thought to include revision of the fare structure, the sale of certain non-core assets such as its UK hotel chain, and a link-up with an overseas airline. Included also is a probable abandonment of the controversial "Shannon stopover" which obliges all transatlantic flights in and out of Ireland to stop at Shannon, in the west of Ireland.

Few of the company's 43 routes are thought to be profitable at present. Losses are expected to reach I£90m (£88m) this year, adding to a debt estimated at close to I£600m.

The government has promised an equity injection, thought to be in the region of I£120m, as long as the company's management comes up with a viable recovery plan. A previous plan, presented by Mr Cathal Mullan. Mr Owen's predecessor. was rejected by the goveru-

The Aer Lingus unions are warning that they will oppose any sell-off of company assets. Mr Peter O'Sullivan, the civil aviation representative for Siptu, the airline's principal union, said "we are heading for

Reduction in fee income leaves AJ Archer £0.3m in the red

By Richard Lapper

A FALL IN fee income from its syndicates pushed AJ Archer, the Lloyd's agency, into the red at the interim stage.

Pre-tax losses for the six months to March 31 of £292,000 compared with profits of £267,000 last

Capacity of the group's syndicates fell from £368m in 1992 to £201m. Profit commission on the syndicates in the 1990 year fell to £300,000

compared with £700,000 in 1989. Losses per share were 1p, against earnings of 1993.

0.7p. The interim dividend is cut to 0.5p

(2.2p).

The group also announced the completion of march, its agreement, originally announced in March, to buy Castle Holdings, a rival Lloyd's agency. Consideration is 11.2m new shares - valued at £5.2m - and options over a further 1.27m

In addition, the vendors will be entitled to receive 50 per cent of the aggregate profit commissions attributable to Castle's syndicates underwriting years from 1990 to

This notice is issued in compliance with the requirements of The International Stock Exchange of The United Kingdom and the Republic of Ireland Limited (the "London Stock any securities. Application has been made to the London Stock Exchange for admission to the Official List of all the Zero Dividend Preference Shares of 1p each to be issued by the Company. It is expected that admission will become effective and that dealings in the Zero Dividend Preference Shares will commence on 23rd June 1993.

-River&Mercantile=

(Incorporated in England and Wales under the Companies Act 1985. Registered Number 2421217)

Open Offer

to Shareholders and Warrantholders

10,000,000 Zero Dividend Preference Shares at 100p per share

Share Capital (following the Open Offer)

growing income together with capital appreciation. Listing particulars relating to the

37,142,982 371,430

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52,000,000 Ordinary Shares 520,000 100,000 Zero Dividend Preference Shares 100,000 10.000,000 River & Mercantile Extra Income Trust PLC was formed in 1989 to provide high and

Company are available and may be obtained during normal business hours on any weekday, (Saturdays and bank holidays excepted) up to and including 30th June 1993 from: -River & Mercantile Extra Income Trust PLC, 7, Lincoln's Inn Fields,

S.G. Warburg Securities Ltd., Finsbury Avenue, London EC2M 2PA a member of the Securities

and Futures Authority

Copies of the listing particulars are also available (by collection only) from the Company Announcements Office, the London Stock Exchange, the London Stock Exchange Tower, Old Broad Street, London EC2N 1HP, up to and including 18th June 1993.

16th June 1993

THE "SHELL" TRANSPORT AND Trading Company,

London WC2A 3BP

D.I.C. Notice is hereby given that a balance of the Register will be struck on Friday, 2nd July, 1993 for the preparation of the halfyearly dividend payable on the SECOND PREFERENCE SHARES for the aix months anding 31st July, 1993. The dividend will be paid on 31st

For Transferees to receive this be lodged with the Company Registrar, Lloyds Bank Pic. egistrar's Dapartment, The Causeway, Worthing, West Sussex, BN99 6DA, not later than 3.00 p.m. on Friday, 2nd July, 1993.

By Order of the Sea J.A. Constille

SCOTLAND INTERNATIONAL FINANCE BV. US\$50,000,000

144% Guaranteed Fixed/Floating Rate Notes 1996.

For the six months from 16th June 1993 to 15th December 1993 inclusive the Notes will carry an interest rate of 54% per annum.

The relevant interest payment date will be 16th December 1993.

Coupon 12 will be for US\$26-69.

Agent Bank Barclays Bank PLC Barclays Global Securities Services Stock Exchange Services Department 168 Fenchurch Street London EC3P 3HP

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FKI rises to £38m as refocusing progresses

FKI, the electrical engineering group which has seen Its shares nearly triple in value in the last 18 months, confirmed that it was making progress in focusing the business.

Pre-tax profits increased from £20.7m to £38.1m in the year to March 31, although the increase was flattered by the adoption of FRS 3, which moved £9m of extraordinary charges above the line last

Turnover rose from £739.1m to £756.1m and earnings per share increased to 6.2p (2.65p). Before FRS 3, the previous year's figure was 4.88p, so underlying earnings growth was 27 per cent. A final divi-dend of 1.8p gives a total of 3p (2.3p), up 30 per cent.

The profits figure was struck despite £5.4m of reorganisation costs. The workforce was reduced by 1,000 to 11,800 and is likely to fall to about 11,000 in the current year, during which which a similar level of reorganisatiou costs will he

Mr Jeff Whalley, chairman, said: "These are excellent results achieved against a hackground of continuing tough market conditions in our main markets in the UK and North America and reflect solid progress in improving profitability and restructuring the businesses. I look forward to the future with confidence."

Ldn Clydeside §ini



Bob Beeston, left, and Jeff Whalley: improving profitability against background of continuing tough market conditions

FKI has sold half of the £40m of assets it last year identified as non-core. Considerable progress has been made in improving profitability across the group, with operating margins on continuing activities up

from 4.5 to 5.9 per cent. Four of FKI's five trading groups - material handling, hardware, automotive and engineering - improved results, with antomotive returning to the black, The exception was process control, which saw operating profits fall from £8.8m to £5.2m. More

DIVIDENDS ANNOUNCED

1,16 4.254 1.8 14.9 2.5 1.25

than a third of the total reorganisation expenditure was directed at process control, which the group said would achieve much improved results in the current year.

So far, so good. Mr Bob Beeston, who was brought in from BTR at the beginning of last year as managing director, has been rewarded with the post of chief executive for his success in slashing costs and pricing more aggressively. Unfortu-nately, the three groups with most potential - hardware, materials handling and automotive - are all mainly in the US, so FKI may be tempted to go for a significant business in the UK. Analysts would wel-come bolt-on acquisitions to exploit excess automotive capacity. However, they would he less keen on a large paperfunded acquisition. Forecast earnings of about £50m put the shares, down 31/4p to 138p, on a prospective multiple of 17. FKI's confidence in the scope for enhancing margins to more than 10 per cent bodes well for the long term. But after such a good run, the shares may mark time until acquisition Inten-

Share shops | Spurs score series of own goals role in BT sale promoted

By Roland Rudd

THE GOVERNMENT is encouraging share shops to target BT sharebolders and employees in a move to deflect criticism of its handling of the

BT sale. Some of the 150 share shops have complained that the gov-ernment has marketed its own share information office number at their expense in tha erument'a remaining 21.9 per

cent BT shareholding.
Of the 1.8m potential investors only 700,000 have chosen to register through a share

hop. Mr James Sassoon, director of SG Warhurg, the govern-ment's global co-ordinator, said: "Share shops may want to focus on converting the 2.4m pre-registered shareholders from the share information office into share shops so that they do not miss out on top level preferences in alloca-

The government's advisers are snggesting that share shops could target their advertising towards BT shareholders and employees.

Two of the share shops yesterday questioned how they could get a list of the BT shareholders without the help of the company or the govern-

However, Mr David Jones, chief executive of ShareLink, whose shareholders include Foreign & Colonial Ventures and Ragle Star, said: "No one should expect the government to facilitate contact between BT employees, shareholders and share shops."

Big shareholders yesterday said they did not expect to pay more than 10p a share above the price for retail investors on the first instalment.

The government will announce the price of the first instalment for the international offer on June 29. The first payment for the retail investor has been set at 150p. The second instalment, set at 140p, and the third, to be determined hy the demand from big shareholders, will be the same for all investors.

Richard Gourlay and Paul Taylor on the Tottenham boardroom clash T is a rare chairman of a public company who openly admits to knowing

nothing about the service he provides his customers.

Mr Alan Sugar, chairman of Tottenham Hotspur Football Club, cheerfully admits he knows nothing about football. Furthermore, having on Monday successfully won a High Court judge's backing to sack Mr Terry Venables, the chief executive, he says he will continue to keep his "nose out of

Mr Venables, a notable footballer and on-the-field tacti-cian, knew nothing about running a business, according to

The two should have made a great team. But as Mr Sugar's decision to sack Mr Venables clearly demonstrates, the club's two largest shareholders have strung together little more than a series of own goals over the past month. Yesterday Mr Venables, who

continues to hold a 22 per cent equity stake in the north London soccer club, remained publicly defiant, but nevertheless appeared to be somewhat on

Scribes West, his private members club in the basement of Rarkers store in Kensington High Street, he defended his record at Spurs and attacked Mr Sugar for his "unfounded accusations" and "innuendo."

Ha professed to be determined to go ahead with a court bid to force Mr Sugar to sell him his 48 per cent stakehold-ing despite Monday's High Court setback.

"The real issue is to get Alan Sugar to sell his shares in the Pic," he said but declined to identify his financial backers "I cannot say who my backers are," he said, "these people do not want to be dragged into

By contrast, Mr Sugar. speaking from the White Hart Lane headquarters he now dominates, appeared relaxed and dismissive of Mr Venables' rearguard action. "That game is over," he said.

r Sugar faces, however, a significant challenge. It is unlikely he has ever had to deal with a more volatila clutch of assets - some of

At a press conference held in whom have requested a transfer to other clubs. Nor will he have seen a more fiery customer base - although he says sales evaporated at Amstrad in the late 1980s when IBM overnight cut its prices on personal computers.

Mr Sugar was most dismissive of the threat of a player boycott. He said no players were currently up for sale. Requests for transfers from Nell Ruddock and Nick Barmby had been rejected. Ray Clemence and Doug Livermore. the assistant coaches, would continue with day to day run-

ning of the team. Buying and selling of players would resume, however, as a normal part of the close season

Mr Sugar saved his sweetest message, however, for the fans who appear to resent his early statements that a football club was a business which had to

"It has to be profitable and it is a husiness and I do have a lot of confidence in sport and leisure," Mr Sugar said almost apologetically. But "it has become close to my heart and I enjoy it tremendously. But that

will not make me go raving mad with my cheque book." By declining to get involved in the footballing side, Mr. Sugar has effectively spiked one of Mr Venables guns.

Ma

sked if he thought Mr Sugar was the best person to run Spurs Mr Venables said he did not think so and added, "he is going to have to rely on other people." And on the boycott? Mr Venables was careful to protect his stake in the clnh. Asked whether he was in favour of fans boycotting season ticket sales and about the rumours of mass defection by players, he said he wanted the club to "go forwards" and "do well" in order to protect his invest-

Just how badly his and Mr Sugar's investments have been damaged by the month long legal skirmish will probably only emerge once the sesson restarts.

However, Mr Sugar alread has an answer if attendance is low. "If we are drawn against Oldham in our first home game I will use that as an excuse for

Alpine directors tell of Clive Smith and his family's part-ownership

By Peggy Hollinger and Catherine Milton

ALPINE (Double Glazing), the UK windows company which ceased trading in May, is part-owned by the family of Mr Clive Smith, the Midlands entrepreneur, Alpine directors told a packed meeting of

angry creditors yesterday Alpine is owned by Finchfleet, a Guern-sey-based but British Virgin Islands-regis-tered company. Finchfleet in turn is jointly owned by Finchley Investments, the offshore vehicle for Mr Smith's family interests, and Le-an Holdings, another offshore trust company, Finchfleet has waived all claims on Alpine in the last few

days, an Alpine director said. Mr Smith has been involved in the flotation of several natural resource companies, two of which are the subject of a Serious Fraud Office investigation. He recently narrowly avoided personal bankruptcy when creditors, owed more than \$20m, approved his proposals for an individual voluntary arrangement.

Pearce & Sons, shares the same Irish address as Mr Kelvin Myles, who has administered some of Mr Smith's offshore interests. Mr Smith personally guaranteed the original purchase of Alpine out of administration in 1992.

Mr Robert Pollock, a director of Alpine, told the creditors meeting, which was attended by burly security guards, that he had received death threats. He said Ibex, the company which bought Alpine in 1992, had been the "undisclosed

agent" of Finchfleet. Mr Pollock said: "Finchfleet is owned by Finchley investments and by Le-an which is owned by discretionary trusts." He ini-tially refused to give further details but under intense questioning later admitted that Finchley is owned by Mr Smith's family interests. When questioned about

whether Lean was connected with his own family interests. Mr Pollock refused Iber - which later changed its name to Alpine - hought the assets of the old Alpine for £1.1m on behalf of Finchilest. Finchfleet then sold those same assets to Ibex for about £3m, the meeting heard. Mr Pollock said he received faxed instructions from Finchfleet from time to time, although he and, later another direc-

tor, Mr Robin Spiers, were responsible for the day-to-day running of Alpine. The formal statement of Alpine's affairs shows that it has assets of £1.2m and debts to creditors of about £4m, according to directors. However, the company was able to pay its insolvency practitioner, Mr.Graham Wilson, who also acted for Mr Smith in his individual voluntary arrangement last month.

The meeting also heard that in the last 15 months the company has not paid any money to the Inland Revenue.

A creditors' committee was formed representing former employees, and the Inland Revenue. Mr Paul Snook, of Touche Ross, is also on the committee representing John Freckleton and Son.

last year

Notice of Special General Meeting

SCOTTISH EQUITABLE LIFE ASSURANCE SOCIETY

NOTICE is bereby given that a Special General Meeting of Scottish Equitable Life Assurance Society ("the Society") will be held at The Church of Scotland Assembly Hall, Mound Place, Edinburgh on 30th Juoe, 1993 at 11.00 a.m. when the following resolution will be proposed as a special resolucion:

SPECIAL RESOLUTION

- 1. The Scheme for the transfer of the long term business (as defined in the Insurance Companies Act 1982) of the Society pursuant to Section 49 of the Insurance Companies Act 1982 ("the Scheme") as set out in the document produced to the meeting and for the purpose of identification signed by the Chairman thereof and summarised in the Circular to members and policyholders of the Society dated 28th May, 1993 be and is hereby approved and the Directors of the Society be and are hereby authorised and instructed to carry the same into effect with power to agree or make such amendments as may be necessary or desirable to secure the order sanctioning the Scheme pursuant to Section 49 of the Insurance Companies Act 1982;
- The regulations of the Society set forth in the Sebedule to the Scottish Equitable Life Assurance Society Act 1979, as amended ("the Regulations of the Society") be and they are hereby amended by the addition of the following paragraph [1A) of regulation 2 immediately following the existing paragraph [1] of regulation 2 in the following terms:
 - "(1A) (a) to form or assist in forming and operating a company ("Scortish Equitable ple") and any other company or companies which may be required, for the purposes of giving effect to the terms of an agreement ("the Joint Venture Agreement") dated 20th April, 1993 and made between the Society and AEGON International B.V. as amended by a letter of agreement dated 21st May, 1993 between the said parties rogether with such other amendments as may be or may have been made to accordance with the terms of the Joint
 - (b) to transfer the business and undertaking of the Society to Scottish Equitable plc in accordance with the terms of a scheme ("the Scheme") pursuant to Section 49 of the Insurance Companies Act 1982 ("the 1982 Act") in the form of the draft document annexed to the Joint Venture Agreement, with such amendments as may be made in accordance with the terms of the Joint John Companies and the Joint Venture Agreement, with such amendments as may be made in accordance with the terms of the Joint Venture Agreement, with such amendments as may be made in accordance with the terms of the Joint Venture Agreement, with such amendments as may be made in accordance with the terms of the Joint Venture Agreement and the Joint Venture Agre int or as may be necessary or desirable to secure the order sanctioning the Scheme pursuant to Section 49 of the le) to do all such other things as the Directors of the Society consider necessary or desirable in connection with or for the purposes
 - of the Joint Venture Agreement or the Schemes"; and
- 3. Subject to and conditionally upon the Scheme becoming effective, the Regulations of the Society be and they are hereby amended as
 - 3.1 by the addition of the following regulation at the end of regulation 8: "8A. Notwithstanding any other provision of these reguladons:
 - (1) such persons as any company ("the transferee company") to which the whole or a substantial part of the long term business (as defined in the insurance Companies Act 1982) of the Society is transferred under a scheme made pursuant to Section 49 of the Insurance Companies Act 1982 (the "Scheme") shall nominate by notice in writing to the Society from time to time shall become members of the Society at the time the Scheme becomes effective or, in the case of persons nominated to writing after the Scheme becomes effective, at the time of receipt by the Society of the relevant nodes in writing; and
 - (2) the membership of each person who becomes a member pursuant to paragraph (1) of this regulation shall subsist und) such time as the transferce company in question gives notice in writing of the cessadon of that person's membership to the Society.";
 - 3.2 by the addition at the end of paragraph (1) of regulation 11 of the words: "or the liabilities of the Society under the assurance cease to be liabilities of the Society by virtue of the coming into effect of a scheme made pursuant to Section 49 of the Insurance Companies Act 1982 for the transfer to any other company of the whole or a substantial part of the long term business (as defined in the Insurance Companies Act 1982) of the Society"; 3.3 by the addition of the following regulation at the end of regulation 17:
- "17A. Notwithstanding any other provision of these regulations, notice of the holding of any annual or special general meeting may be given to any member in writing and may be served on or sent to such member in accordance with regulation 105";
- 3.4 by the deletion of the first sentence of regulation 19 and the substitution of the following therefor: "Two persons entirled to vote upon the business to be transacted, each being a member or a proxy for a member or a duly authorised
- representative of a corporation or body which is a member shall be a quorum for general meeting 3.5 by the addition of the word "or" at the end of paragraph (2) of regulation 26 and the addition of the following paragraph immediately following paragraph (2) of regulation 26:
- "(3) is a member by virtue of regulation 8A"; and 3.6 by the deletion of the first senience of regulation 40 and the deletion of regulation 41[1Xa].

BY ORDER OF THE BOARD Roy Patrick Secretary

Principal Office 28 St Andrew Square

- 1. Any member of the Society entitled to attend and vote at the Special General Meeting is entitled to appoint another person who need not be a member of the Society) as his proxy to attend and, on a poll, vote instead of him. A proxy who is not himself a Voring Member is not cuttilled to speak except to demand or join in demanding a poll.
- To be valid, an instrument appointing a proxy (which must be in wriding) must be in the usual common form or in any other form which the Directors of the Society may accept and such instrument, together with the power of attorney or other authority, if any, under which it is signed or a notarially certified copy of such power or authority, must be deposited at the principal office of the Society not later than
- Members intending to attend and vote personally are saked to bring with them details of their policy number(s) and some means of identification. On arrival at the meeting, please register with the officials who will be at the door. Registration will commence at 9.00 a.m. 4. Copies of the Circular to members and policyholders of the Society's dated 28th May, 1993 are available, free of charge, at the Society's
- Copies of the Scottish Equitable Life Assumnce Society Act 1979 and the documents setting out the Scheme, the John Venture Agreement and the report on the remains of the Scheme by an independent actuary referred to in such Circular are available for inspection at the Society's principal office stated above.

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This nodge is issued in controllance with the requirements of The International Stock Exchange of the United Kingdom and the Republic of Ireland Limited (the "Londou Stock Exchange"). It does not constitute an invitation Application has been made to the London Stock Exchange for the grant of permission to deal in the Convertible Unsecured Loan Stock in Specialeyes ple, to be issued pursuant to the Placing and Open Offer, in the Unlisted Securities Market. It is emphasised that no application has been made for these securities to be admitted to listing. Dealings are expected to commence in the Convertible Unsecured Loan Stock on 25th June, 1995.

SPECIALEYES plc

(Incorporated in Fingland and Wales under the Companies Acts 1948 to 1981 with Registered No. 1873281)

Placing and Open Offer

Greig Middleton & Co. Limited

£1,554,953 of 10 per cent Convertible Unsecured Loan Stock 2000 at Par

5HARE CAPITAL

Ordinary Shares of 2p each

fully paid £310,991

On completion of the Placing and Open Offer the Company's authorised share capital will increase to £750,000. Full conversion of the Loan Stock would require the issue of a further 15,549,530 Ordinary Shares.

The principal activity of the Company is that of optical retailers.

Copies of the Circular dated 24th May, 1993 containing details relating to the Company, the Placing and the Open Copies of the Circular dated 24th May, 1993 containing details relating to the Company, the Placing and the Open Offer and particulars of the Convertible Unsecured Loan Stock may be obtained during normal business hours on any weekday (Saturdays and public holidays excepted) up to and including 30th June, 1993 from the Company Announcements Office of the London Stock Exchange. Stock Exchange Tower, Capel Court Entrance, off Bartholomew Lane, London ECN 1HP [for collection only) and up to and including 18th June, 1993 from the registered office of the Company at 167 Imperial Drive, Harrow, Middlesex HA2 7JP and from:

Greig Middleton & Co. Limited 66 Wilson Street London EC2A 2BL

16th Juoc, 1993



Mass Transit Railway Corporation
(A coperation enablased by the Mass Transit
Railway Corporation Ordinance of Hong Koog)

HK\$3,000,000,000 Modium Term Note Programme HK\$40,600,600 Ficating Rate Notes due 1995

Notice is hereby given that the IIIBOR applicable to the subject notes for the period from June 15, 1993 to September 15, 1993 is 3,4375 p.a., The inclusive rate is 3,6875 p.a., Coupon amount payable September 15, 1993 per HKSS00,000 note is IIK\$4,647.26,

Morgan Guaranty Trust Company of New York Hong Kong As HK Reference Agent **JPMorgan**

COMPANY NOTICES

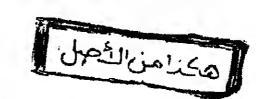
AIP FINANCE N.V. US \$20,000,000 GUA RATE NOTES 1995 RAIE NUTES 1995
The interest rate applicable to the Notes in respect of the period commoncing 1986 June 1993 will be 54% per arriver. The bitarest enteresting to 18 129,79 per US \$5,000 and to US \$279,58 per US \$2

BRADFORD & BINGLEY £200,000,000 Rosting Rate Notes due 1995

in accordance with the terms and in accordance with the tentre and conditions of the Notes, the interest rate for the period 15th June. 1983 to 15th September, 1993 hea been fixed at 6.0625% per armum. The interest payable on 15th September, 1993 against the Coupon 9 will be £152.81 per £10,000 naminal. בכק לאומי Imual אחבל Agent Bank

ROYAL BANK OF CANADA

APPOINTMENTS ADVERTISING appears every Wednesday & Thursday (UK only) and Friday (Int'l unly)



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CONT

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Pre-tax profits (£m)

Mandatory £87m bid for Watts Blake

By Andrew Taylor, Construction Correspondent

The state of the s

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er er en strage.

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WATTS BLAKE Bearne, a 280-year business based in Devon and the world's biggest supplier of ball clay, is in dan-ger of losing its independence following the launch yesterday of a £87m bid.

Sibelco, a privately owned producer of silica sand for the glass industry based in Bel-glum, is bidding 420p cash per share for the British group.

The offer failed to win unqualified approval from the City. "This is a quality company with a unique product and unique assets. The price does oot reflect the true long-term poteotial of the group," said Mr Ian Hilliker, an analyst with NatWest Securi-

Watts Blake shares, however, failed to rise above the offer price, and later fell back to 415p, a net gain of 24p.

There is a loan note alternative on the basis of £21 for every five shares. The notes carry interest at 4.75 per cent and are redeemable at par in September 1994.

The bid was sparked by a decision earlier this year by Ceramics Holdings, controlled by the Lebanese Gargour family, to dispose of its 15.6 per

cent stake. This triggered a coocert party agreement under which Sibelco and Quarzwerke of Germany, each owning 14.8 per cent, were also required to put their stakes up for sale. The agreement also provided a formula allowing the partners to

buy each other out. The combined offer for sale lapsed last mooth leaving Sibelco free to launch its own bid yesterday.

Sibelco said yesterday it has arranged to buy the stakes of Ceramics and Quarzwerke. This would take its holding to 45.2 per cent, leaving it only 4.9 per cent short of winning

It said the Stock Exchange requirement to make an offer once the holding had gooe above 30 per cent was the impetus for the bid, rather than a desire to take over over

the company.
"The purchase of the Ceramics stake really was a tidy up operation. Rather than have the stake overhang the market, we decided to buy it.

Sibelco intimated that it was still "early days" to say what it would do with Watts Blake if it acquired control. However, it had always held the current management of Watts Blake in

high regard. Heavy sticky ball clay, which once produced tobacco pipes, is used worldwide to manufacture ceramics such as sanitary ware, wall and floor tiles and table ware. The largest deposit in the world, found in Bovey Basin near Newton Abbot in Devon, has been mined by the company since 1710.

Watts Blake also owns extensive clay reserves in Germany and in the US where in 1989 it bought United Clays, the second biggest ball clay producer in that country.

The company generates 85 per cent of its sales ootside the UK, and estimates thet it provides clay for 40 per cent of the European sanitary ware mar-ket, a third of the US market and half of the Far East market. It also claims to supply a quarter of the European and

US floor tile market. Ceramics is thought to need oew funds to support its other bosiness interests; it has unconditionally agreed to sell its shares to Sibelco at ths

offer price. Quarzwerke, a private company producing silica sand, has also agreed to sell its shares "subject to Sibelco's ability to purchase shares under the City

The concert party agreement, negotiated in 1990, arose after Sibelco and Quarzwerke acquired the 21 per cent holding in Watts Blake previously held by English China Clay. They subsequently increased their stake when Ceramics sold part of its holdings to the confinental European companies.

Growth found in its customers' footsteps

Andrew Bolger on the strategy of Tibbett & Britten

OUTH AFRICA, Canada and have always kept in an eclectic group of countries for a UK distribution and warehousing specialist to choose for its overseas expansions.

However, these varied territories are the focus for the rapidly growing international activities of Tibbett & Britten Group, the company previously best known for distributing garments in the UK for Marks and Spencer.

The common theme is Unilever, the Anglo-Dutch con-sumer products group which sold its stake in Tibbett to a management buy-out in 1984. The distributor has maintained a close relationship with its former parent, and Tibbett'e es in the three countries all have their origins in

that connection. Mr John Harvey, Tibbett's chairman, said the overseas moves were in line with his group's strategy of following its multinational customers and then developing related business around these cora contracts.

Mr Harvey was the director of Unilever who initiated the multinational's investment in Tibbett and led the management buy-out. He said: "We've got lots of buddies in Unilever

He had retired as head of information technology for Unilever in January, after 30 years. For

Tibbett's market capitalisation has grown tenfold since it came to the market in 1986, and has almost doubled since 1990. Last year it made a £31m rights issue to fund the acqui-

sition of Silcock Express, a pri-

vate company which distrib-

Last year the UK generated more than 90 per cent of group sales, but by the end of this year overseas operations should account for more than 25 per cent

the last three years be had been responsible for Unilever's information technology policies, designed to take advantage of the capability of open

By maintaining Unilevertype reporting systems and financial disciplines, Tibbett has found it easy to do business with other multinationals. This policy of establishing

bridgeheads was clearly dem-onstrated in South Africa. Last June Tibbett paid Unilever £2m for SA Warehousing Services, which distribotes throughout South Africa for Unilever and others. In November the total food distribution operation of Woolworth (South

otes motor vehicles in the UK, France, Belgium, Spain and

Portugal.
The deal added motors to the group's four existing distributloo specialities in fast-moving consumer goods, which include clothing and textiles, toiletries and cosmetics, groceries and DIY and electrical products.

Tibbett now operates in eight countries. Last year, the UK generated more than 90 per cent of group sales, but by the end of this year overseas operations should account for more than 25 per cent.

Despite this rapid spurt of growth Tibbett has made relatively few acquisitions. Its previous important deal was the

purchase of Lowfield, the grocery distributor, in 1989 for

Mr Harvey said he preferred to grow business, rather than make acquisitions. His priority was now to infill in Europe behind the Silcock openings, particularly in France, Spain and Portugal. There were obvious gaps in Silcock's network, such as Germany and Italy.

The group also intends to reinforce its investment in Canada and South Africa. Mr Harvey said there were plenty of opportunities in North America, but be intended to stick to Canada until they had built a significant regional

On South Africa, he coo-ceded: "It is an unstable area, there's obviously some risk. But if you're taking a medium to long-term view, places like South Africa and China must be considered."

Tibbett has moved substantially away from its depeodence on Marks and Spencer, which generated 60 per cent of turnover at the 1986 flotation. Although the M&S business has since grown three-fold, it currently accounts for only 11 per ceot of group sales.

Concern about preserving M&S's commercial confidentiality bas preveoted Tibbett **Tibbet & Britten**



from giving a detailed break-

down of its results by division, but it seems likely that it will

and textiles division, Mr Har-

the Fashion Logistics network, the biggest single specialised

clothing distributor in Europe,

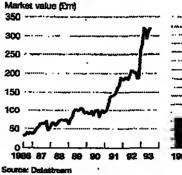
vey said he was happy to keep

in future.

ally based.

UK market outside the big

Despite what it described as "difficult trading conditions everywhere", Tibbett's sales rose 28 per cent to £231.8m last year. The group said 69 per cent of its growth was generated organically while 80 per ceot of revenue was contractu-Development was particularly strong in the consumer and personal products divi-



chains. The Marks and Spencer business evolved out of the network, and it remains a potential source of separate dedicated distribution operations.

Clothing and motors offer

the best hope of recovery and growth in the medium term. The group cites market research last year which fore-cast a 30 per cent increase in total new car and light vehicle registrations between 1992 and 1996 in the five countries where Silcock operates, with growth particularly in the UK, Spain and Portugal.

Although trading continoes to be depressed in the clothing Mr Harvey is anxious oot to raise expectations too much, but seems quietly confident about winning new business: "We have never been busier which supplies 35 per cent of

(REVENUE FROM SALES OF PRODUCTS AND SERVICES: £1042M))
RETURN BEFORE EXCEPTIONAL ITEMS ROSE BY 21.1%
ON CAPITAL EMPLOYED INCREASED TO 22.4%

Profits up 21% to £55.1 million. What a pleasaot expressioo.

Nor is it the ooly news from Dairy Crest to briog an upward curve to the lips.

Our borrowings fell by £31.6m, resulting io reduction io gearing from 49% to 33% as we further improved our fioancial streogth.

Yet we still invested a healthy £30m to streamline and upgrade our facilities.

How do we do it? By producing the cream of dairy products.

We make Clover, the market leader io bleoded spreads.

We're a major long term player in the £3000m liquid milk market, serving shops, supermarkets and households.

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And, in the fast growing fromage frais market, we have a leading brand, Petits Filous, through our joiot veoture with Yoplait of France.

Eoough to make aoyone say cheese. Or, in our case, Stiltoo, Red Leicester, Cheddar, Double Gloucester... *Before exceptional items.

CONTRACTS & TENDERS

BUILDING OF A HOTEL FOR A MAJOR **AIRPORT**

Aeroporti di Roma S.p.a., the Company in charge of Rome's airport network, hereby announces its intention to offer to a subcontractor the direct management, including the design and construction, of a new first class (four-star, by Italian standards) hotel complex indicatively of 400 (four hundred) rooms, to be situated in the centre of Leonardo da Vinci Intercontinental Airport at Fiumicino, Rome.

Aeroporti di Roma reserves the right to select the most suitable candidates among the companies expressing an interest in this project.

Any hotel chains that may be interested should apply in writing, enclosing a general profile of their company and making specific reference to any hotels of at least four-star category, operated under a single registered name with international acclaim. These should be no fewer than 15 (fifteen) in number, and should have at least 250 (two hundred and fifty) rooms.

All applications, which shall in no way be legally binding on Aeroporti di Roma, should reach the following address at the latest by 10.00 hours on July 15, 1993:

Acroporti di Roma S.p.A. Ente Commerciale e Marketing Via dell'Aeroporto di Fiumicino 00050 Fiumicino Aeroporto (Fax 396/65953956)

> The Managing Director (Alberto Morandi)

Aleroporti di Roma

LEGAL NOTICES

NORTHERN FEATHER INTERNATIONAL N.V.

erdam (formerly Costerboot), the eds, the district Court of Rosterdam has edered that all claims against Northern Feather menutional N.V. should be submitted to the solvens before 21st June 1993 and that the ng of creditions for the proof of claims shall be held on 20th July 1993, 14.00 hours at the Court House at Neordsingel 117 in Romerdom,

Mr G.Fl. Glapen of Venna 666, P.D. Box 190, Tel: 31.H1404.21.11, Pag: 31.10.404.23.33.

J Mestini, and W.C. von Hasse

Opeybriaes Road, Reading, Berkahli 29 Juna 1993 at 10.00 am. Cre

details of the debts they claim to be due at them from the Company, and the claim hat been duly squaited under the provisions of Rule 3.11 of the admitted under the provisions of Rule 1.11 of the Insolvency Rulen 1986; and b) there has been lodged with as any proxy which the creditor Duted: 11 June 1993 Signed: J M fredale and & N J Voogh Signed: J M fredale and & N J Voogh





První brněnská strojírna Brno, a.s. ("PBS")

ABB Asea Brown Boveri

hace formed

ABB První brněnská strojírna Brno s.r.o.

a new joint centure company which will take over the power plant, boiler and turbine businesses of PBS

The understand acted as strategic ideiser to PRS, and assisted in negotiations



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April 15, 1993

Bino, Gzech Republic

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This advertisement is issued in compliance with the requirements of The International Stock Exchange of the United Kingdom and Republic of Ireland Limited ("the London Stock Exchange"). It does not constitute an invitation to any person to subscribe for or purchase any securities.

SUTER p.l.c. (Incorporated in England) under the Companies Act 1929 with Registered No. 301304)

to Ordinary Shareholders to subscribe for up to 10,903,286 new Ordinary shares of 5p each at 175p per share in 1996 In 1998

Application has been made to the London Stock Exchange for the Warrants to be admitted to the Official List. It is expected that dealings in the Warrants will conuneace on 21 June 1993.

Copies of the Circular to Shareholders dated 29th April 1993 and the Stock Exchange amouncement of that date relating to the issue may be obtained during normal business hours on any weekday (Saturdays and public holidays excepted) from the Company Announcements Office of the London Stock Exchange, Stock Exchange Tower, Capel Coun Entrance, off Bartholoutew Lane, London EC2N IHP up to and including 18th June 1993, and from the registered office of the Company at St Vincent's, Grantham, Lincolnshire NG31 9EJ up to und including 30th June 1993.

> Harris Alkiay Lea & Orooks 33 Great Charles Street Birmingham, B3 3JN

16th June 1993

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> LEGAL NOTICES

TN 38194

PONDBURST LIMITED Formerly Mayflower Capital Market & Treasury Services Limited NOTICE IS HEREBY GIVEN Pursuant NOTICE IS HEREBY GIVEN Pursuant to section 98 of the Issolvency Act 1986 that a Meeting of Creditors of the choose named company will be held at 1-11 lay till, London, WIX 71.5, on 23 June, 1993, time 2.45 pm for the purposes mentioned in sections 100 and 101 of the said Act. David Lowe of Cooper. Lancaster Brevers, Althryth Home, Althryth, London, WCZB 4110 to a person qualified to not as an anolycacy practitioner in relative to the company who will during the period before the day of the secting, farmals creditors free of charge with such information as they may reasonably require. Director 11 June, 1993

PERSONAL

PUBLIC SPEAKING Training and spe

COMPANY NEWS: UK

Manweb staying close to basics

MANWEB, the electricity company which distributes in Liverpool and North Wales, yesterday re-affirmed its strategy of concentrating on its basic businesses as it announced a 15 per cent increase in dividends.

Acknowledging pressure from some City sources to use its low gearing to diversify, Mr John Roberts, chief executive, said: "We want to stay close to the core. We will resist the temptation to take on businesses we cannot manage sen-sibly."

Manweb is the only one of the 12 regional electricity companies which is not involved in building combined cycle gas

The total dividend increase from 18,25p to 21p for the year ended March 31 1993 was the latest in a series of double figure psrcentage rises among electricity companies. It was achieved on profits before tax of £111.2m, up 17 per cent on the previous £94.7m. Turnover was £919.9m (£834.6m).

Earnings per share rose 18 per cent to 69.3p (58.7p). The final dividend is 14.9p. Although distribution, the



also won the custom of 16 new main earner, saw profits fall customers outside the region.
Mr John Astall, finance from £106.3m to £101.4m, supply turned a £5.3m loss into a director, indicated the com-

£6.9m profit and retailing converted a £2.1m loss into a £500,000 profit. On the supply side, Manweb won hack the custom of 38 local large consumers who chose in previous years to con-

pany bad less to lose than other regional electricity companies from the further liberalisation of the market next year. He said only 9.5 per cent of its customers were in the section of the market where tract with other regional elec-tricity companies after the libcompetition is being introeralisation of the market for duced (between 100kW and users of more than 1MW. It 1MW), whereas the regional

was 15.5 per cent. The company's drive to cut staff has slowed, with only 100

electricity companies average

jobs shed in the last year. However, it said profit per employee had improved by 15 per cent to £24,000 during the Manweb aiready claims to

have reduced staff by more than other regional electricity companies with the total in the business now 4,350. Of these 3,465 are in the core business, a 25 per cent reduction on when the company was priva-The company plans to invest

£125m on a network management system which will monitor transmission equipment and switchgear sutomatically. It expects to save £3m to £3.5m a year when the system is fully running.

Mr Bryan Weston, chairman, said the annual report would show that executive salaries rose hy about the cost of living

for the year just ended.

The pay bill firr all staff will rise by about 3.5 per cent as result of a deal being considered by union members. The but the pay and reward system

Coats regains control of Indian side

By Angus Foster

COATS VIYELLA, the textiles and clothing company, is taking advantage of India's relaxation of foreign investment rules by taking control of its Indian associate. Madura Coats.

Coats has increased its stake in the company, which is to be renamed Coats

Viyella India, from 39.9 per cent to 51 per cent. The total investment of Rs604m (£12.25m) is payable in three tranches spread between now and next year.

The Indian operations were wbolly owned until 1972 when the company was forced by changes in legislation to reduce its holding below 50 per cent. Following a relaxation of the rules on foreign share-

holdings. Coats applied last year for government approval to again increase its'

It will lift its holding through a preferential share offer at Rs65 a share, a steep discount to the recent market price of Rs275. The offer, which was approved by shareholders last month, will be followed hy a rights issue next year at Rs30.

Sheriff recovers to £465,000

SHERIFF HOLDINGS, the USM-quoted plant hire group, reported pre-tax profits sharply higher at £465,000, compared with £161,000, in the six months to March 31. The shares closed 11p higher at

111p.
The result - achieved on turnover ahead 21 per cent at £5.7m - was achieved by strict financial control of the core business and recent acquisi-tions, said Mr Richard Dunn,

In December, the group raised £2.85m net of new equity and this, together with strong cash generation, virtually eliminated borrowings at the half year, said Mr Dunn. Gearing at March 31 was 2 per cent, compared with 48 per cent six months earlier.

The interim dividend is raised from 1p to 1.25p, payable from earnings per share of 3.5p

Wellman improves but cuts dividend

Without the hurden of closure costs this time. Wellman lifted pre-tax profit from £231,000 to £681,000 in the year ended March 31. The dividend, how-ever, is reduced from 2.2p to

Mr Geoffrey lley, chairman of this specialist engineer, said activity in all markets was lower but the result was

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June, 1993

CREDIT D'EQUIPEMENT

DES PETITES ET MOYENNES ENTREPRISES

£35,000,000

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(Convertible at holders' option into U.S. Dollar denominated Guaranteed Floating Rate Notes 1995)

For the period 15th June, 1993 to 15th December, 1993 the Floating Rate

Notes will carry an interest rate of 54% per annum and coupon amount of U.S. \$41.37 per U.S. \$1,550.00 Note, payable on 15th December, 1993.

Bankers Trust Company, London

broadly in line with expectations. Margins were under pressure and with no indication of an immediate upturn, the cost base would continue to be adjusted where neces-

The forward order book, he added, was higher than last year but prospective margins had been eroded. Turnover came to £23.7m

(£24m) and trading profit to £796,000 (£1.02m). There was a £250,000 provision for further rationalisation, while last year's extraordinary £817,000 for closure costs has been adjusted to above the line under FRS 3.

Turnover Included £1.87m from acquisitions (£1.36m from discontinued operations) and the respective figures in the trading profit were £101,000 (£75,000). Earnings per share doubled

to 1p. The dividend is reduced to keep in line with earnings; the final is 0.6p.

Ldn & Clydeside in black at midway

London & Clydeside Holdings, the USM-quoted housebuilder operating throughout Scotland, turned round from a loss of £120,000 to a pre-tax profit of £34,000 in the six months to March 31.

Turnover fell to £8.47m, against £10.8m, which included a £2.5m property disposal. Operating profit was down to £522,000 (£697,000) hecause 1991-92 benefited from £220,000 from associates.

Net interest payable, howsver, dropped to £488,000 (£817,000).

The interim dividend is held

at 1.8p, payable from earnings per share of 0.2p (losses 0.6p). House reservations in January, Fehruary and March showed considerable improve ment and although the monthon-month increase had reduced, there seemed to be an underlying recovery in the

market, directors stated. Although there were some modest price increases, it would be some time before that was reflected in unit margins.

High Gosforth Park losses cut to £21,000

Pre-tax losses at High Gosforth Park, operator of the Newcastle racecourse, were more than halved - from £46,000 to £21,000 - in the 1992 year. Last year there was an exceptional charge of £60,000.

turnover up £99,000 to £1.13m. However, the cost of sales increased by 13 per cent from £892,000 to £1.01m and at the operating level there was a loss of £62,000 against £29,000 last

Losses per share came out at 27.7p (82.9p) and there is no dividend this year - last year a final of 15p was paid.

Monarch Resources losses deepen

Lower gold prices and reduced output continued to affect Monarch Resources, the London-quoted mining and explo-ration company with activities in Venezuela, throughout 1992. The combination left the

Revemin processing plant with

ued in compliance with the requirements of The later

Exchange of the United Kingdom and the Republic of Instand Limited title "London

Stock Exchange"). It does not constitute an invitation to any person to subscribe for or purchase any securities in Somerast Triss PLC (the "Company").

Shares in Somerset Trust PLC and the new Ordinary Shares to be issued pursuant to the acquisition, placing and rights issue (together, the "Proposala") to be admitted to the Official List, Dealings are expected to commence on Tuesday, 22nd June 1993.

Somerset Trust PLC

W be renamed

CRABTREE GROUP PLC

Acquisition of Crabtree Holdings Limited

Placing of 6,666,667 Ordinary Shares of 10p each at 150p per share

Deferred Shares of 90p each

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Rights Issue of 3,600,000 Ordinary Shares of 10p each at 150p per share

Ordinary Shares of Hip each 1,480,000

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tion has been made to the London Stock Exchange for all of the Ordinary 10p

losses of \$1.84m, against profits of \$186,000. Monarch's overall loss increased from \$2.94m to \$4.87m (£3.2m). Turnover fell to \$6.97m (\$9.25m).

Losses per share came out at 33.2 cents (20.6 cents).

F&C Smaller net assets advance 27%

Foreign & Colonial Smaller Companies lifted net asset value per share by 27 per cent - from 107.3p to 136.1p per share - over the 12 months to April 30

The trust reported net revenue of £1.79m (£1.78m) for earnings of L98p (1.97p) per share. A proposed final dividend of 1.16p brings the total for the year to 1.84p (1.75p).

Melville Street net assets dip to 140p

Melville Street Investments, an investment trust specialising in venture and development capital, saw net asset value fall 10p to 140p over the year to April 30.

Directors said the fall was largely attributable to the reduced value of one of the group's investments in the Lloyds insurance market.

Net revenue edged ahead to £800,758 (£790,887), equivalent to earnings of 4.3p (4.2p) per

A same-again final dividend of 2.5p maintains the total at 4p but directors warned that some reduction in the distribution may become necessary as the company becomes fully invested. It currently has £3m on deposit.

confirms float plan

lamb and

Son

DAIRY CREST, the milk and dairy products arm of the Milk Marketing Board, has confirmed its plan to float early

next year. It made the announcement when reporting a rise in pretax profits from £24.6m to £28.2m for the year to March 31, after exceptional restructnring costs of £26.9m (£20.9m). Mr Geoffrey John, chairman, said that there were still many nnknowns in the flotation and the industry itself was undergoing far-reaching change.

He said it was too early to be precise about the shareholder structure after the flotation, but that dairy farmers could hold ahout 70 per cent of the capital.

The farmers will receive shares representing the "free reserves" of the MMB, worth on average £8,000 per farmer, and will be offered shares or. cash to settle their entitlem

to the MMB's "rolling fond", totalling about £60m. Dairy Crest also plans to raise new money and the group's market capitalisation could be about £250m. Schroders and Hoare Govett will be handling the flotation.

Mr John Honliston, chief executive, said that Dairy Crest had achieved a great deal hut still had much to do to succeed in the "new world" He said: "We have no illusions as to the nature of the chal-

lenge that awaits us."
He said that when the MMB was abolished next year, Dairy Crest's first duty would be "to bny milk on a very competitive hasis". He added that Dairy Crest was not committed to buying from Milk Marque, the milk buying co-operative which the MMB is planning as

its successor. ... Group thrnover was unchanged at £1.16hn, although Dairy Crest, which is the buyer of last resort under the existing milk scheme, had bought 5.5 per cent less milk as milk quotas reduced production. Prices of milk for manufacture rose 16 per cent.

Operating profits rose from £59.2m to £62.2m, with margins up from 5.6 to 6 per cent. Greater operating efficiencies were being achieved, Mr Houliston said. Staff had been reduced by 1,300 during the year, and by 30 per cent over the last three years. Capital spending was running at

about £30m a year. Interest charges were reduced from £14.4m to £8.3m, with about £1m of the fall coming from lower interest rates and the rest from the reduction in net deht from

£101.1m to £69.5m. The company announced a number of hoard appointments including Mr Graham Fish, as managing director of the dairies business. Five non-executive directors, with diary or commercial experience, will be appointed on August 1 in preparation for

the float. They are Mr Ricbard Fletcher, an MMB member, Mr Rounie Frost, chairman of Hays, Mr Thomas Hugh Jones, an MMB member, Mr Paul Lewis, deputy chairman and finance director of Tate & Lyle, and Mr William Madders, a special MMB member.

WALES

The FT proposes to publish this survey on July 30 1993. from its print centres

in Tokyo, New York, Frankfurt, Roubaix and London. It will be read by senior businessmen and government officials in 160 countries.

worldwide. It will be of particular interest to the 130,000 directors and managers in the UK who read the weckday FT.* If you want to reach this important. audience, call

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Plan

Radical economic reforms introduced by the National party government have won glowing international approbation. The sacrifices which have been demanded of the ordinary citizen have led, however, to a sense of disillusionment with the political process, Kevin Brown reports

Sombre mood prevails

political leaders embarked on a process of radical economic reform, New Zealanders are divided about whether the henefits have outweighed the costs.

A substantial improvement in most economic indicators over the past year has giveo the country what the OECD calls its best opportunity for years to achieve a sustained return to real economic growth. That is something New Zealanders have not d since their egalitarian South Pacific paradise began to run into economic problems after the oil crisis of 1973.

The OECD and most other outside analysts have reported glowingly on the impact of tariff and subsidy reductions, widespread privatisations, monetary prudence and cuts in social programmes.

But the reforms are far less popular inside the country. Indeed, outside the ranks of the conservative National government, the national mood is sombre. Many observers say New Zealanders have never

been so divided. The reason is the widespread perception among ordinary New Zealanders that they have borne most of the costs of the reform process without receiving any tangible benefits.

Many also believe they were misled by both the 1984-90

DECADE after their Labour government and its National (conservative) successor about the difficulties involved in restructuring the economy. The result has been disillusionment with the political process among those who have suffered from the reforms especially unionised workers, students, pensioners, and con-

sumers of state benefits.

Sociologists blame the dislocation caused by the reform programme for rising crime. growing poverty and increasing intolerance of Polynesian and Asian immigrants (though race reletions are generally good). But the most dramatic result has been a surge in support for the replacement of the British-style first past the post (FPP) electoral system hy a proportional system based on the German additional member system, known in New Zealand as mixed-member proportional

Mr Ken Douglas, president of the Council of Trade Unions (CTU) says New Zealanders are simply "fed up" with the political process, which many believe has allowed right wing groups in the main parties to hijack the country.

"There is no fundamental belief that MMP is inhereotly a better system, hut the present system has been disgraced because more than 50 per cent of people believe it is intellectually corrupt." he says.

inflation

There has never been major ity support for the things that have happened here, and people just don't accept the values which can justify the huge

costs we have had to carry.
"We are a much more racist, violent and sexist society than

So far, the main beneficiaries of the support for PR have been Mr Winston Peters, a dissident former National MP. and Mr Jim Anderton, a former Labour MP who now leads the Alliance, a populist coalition of

'Řoger Douglas (Labour's 1984 finance minister) said that if we took the hard decisions in the first 18 months of government then we would pick up the henefits in the last 18 months of the (parliamentary) term," he says. "But the short sharp shock has been going on for so long now that people are traumatised by it. It's like being in the dentist's chair for years - the pain goes on and on and there is no gain."

HE appeal of Mr Peters is more difficult to identify. He has built a large constituency by criticising his former government colleagues. and is said to be determined to hecome New Zealand's first Maori Prime Minister. Yet noone seems to know what he stands for, unless it is "old-fashioned, private enterprise, development oriented" pump priming, as the Wellington Evening Post put It in a recent editorial.

The minor parties' hest chance of breaking the mould of New Zealand politics will come in a referendum on MMP

vious 20 years, when it has

generally been one of the slow-

est. Mrs Richardson argues that the economy is finally

overcoming the traumatic effects of economic restructur-

ing, and is reaping the benefits

of efficiency gains and fiscal

remain, principally the possi-

bility of a collapse in the Uru-guay Round talks on the Gen-

eral Agreement on Tariffs and

Trade, and the singgish perfor-

mance of most of the other OECD economies - "they [other countries] also have

substantial adjustments to

undergo, and New Zealand is a

very good demonstration of

just how long it takes to get

over the adjustment into the

growth phase," says Mrs Rich-

Domestically, the chief dan-

ger appears to he the uncer-

tainty which could flow from a

bung parliament or an unex-

pected change of government

following the election due by

November. There is little con-

ceru in the business commu-

nity about a victory hy the

opposition Labour party,

which began the reform pro-

cess when it was in office from

ardson.

Nevertheless some dangers

we have ever been before, and much of that has heppened because people have felt alienated from a political system which does not represent

protest parties.

Mr Anderton's main theme,

that only a more consensual style of politics can reverse the continuing destruction of New Zealand's egalitarian heritage, has struck a rich vein of public support. He has also skilfully tapped public anger with both main parties by asserting that they have repeatedly misled the electorate about the scale and difficulties of the reform



A defeat for the 1993 British Lions at Otago: despite its small population,

to be held at the same time as the next election, due hy November. If the referendum succeeds, as seems probable, MMP will be introduced for the subsequent election, due by 1996. If that happens, neither Labour nor National is likely to be eble to form a future goverpment without reaching a coalitioo agreement with at least one of the minor party groupings. in the meantime, opinion polls suggest that the Alliance could win a substantial number of seats in the next parliament, especially if it comes to an electoral agreement with Mr Peters.

Labour's response to the emerging political volatility has been to ignore it in the belief that traditional supporters will return to the fold when they eoter the polling booths.

Mr Mike Moore, the Labour leader, who was Prime Minis-ter for eight weeks in 1990, has spent the 32 months since the last election distancing himself and the party from the 1990s.

Mr Moore's strategy has heen to exploit the climate of hitterness about the decade of change by presenting Labour as the party which offers New Zealanders both credible economic management and a fresh start - "the great reforms of the 1980s were, in the main, oecessary, hut this is not the 1980s, and I am not going to be constrained by the legacy of the 1980s," he says.

Rhetoric aslde, however, Labour has no intention of reversing the thrust of the restructuring. The party would retain the existing tight monetary policy favoured by the

operationally-independent Reserve Bank, and it would aim for even greater fiscal conservatism than that achieved hy National. In the main, a Labour government would restrict itself to relaxing National's deregulation of the labour market, and reversing or amending the government's unpopular changes to the health system and social pro-

This policy moderation has heen reassuring to the busi-ness and financial community, which has few qualms about the impact of a Labour government on New Zealand's ability to sustain the economic recovery. But there is little doubt that business would prefer to see the re-election of the

to cut costs by improving tar-

Netional government, which has firmly committed itself to continuing to open up the economy and reduce the size of government.

NLY a mooth ago,

National unlikely to remain in recent office. However, recent improvements in the ecocomy have triggered a rise in the government's poll rating which grammes, which are intended shows that the battle is not yet over. Ironically, the governmeet is also seeking to exploit the dislike for change by presenting itself as the only party which will not plunge New Zealand into a further bout of reform - "we have two very substantial electoral cards to play. One is the recovery, and

the other is that we are the

continuity," says Mrs Ruth Richardson, finance minister. "The opposition parties are oow the ones which are seen as the parties which are offering destructive change.

The key influence oo the election may well be the Budget, due next month. While a give-away Budget is unlikely, both Mrs Richardson and Mr Jim Bolger, the Prime Minis-ter, have indicated that they want to extend the fruits of the recovery to ordinary New Zea-

Time is short, but if the governmeot can do that, it may begin to heal some of the wounds which have so bitterly divided the country. in the loog term, that will be of more importance to New

Zealanders than the colour of

THE ECONOMY: after a difficult decade, lower wage and interest rates are at last creating the conditions for sustained economic improvement

Exports put the bounce back

OPES are rising that the New Zealand economy is emerging from the stagnation of the last decade in good shape to enjoy sustained, if moderate, growth through the 1990s.

Gross domestic product (GDP) grew by 3 per cent over the 12 months to December, and is widely forecast to remain at about the same level for at least the next three years. Although relatively low by the standards of the Asia/ Pacific region, this is nearly triple the average rate of growth in the seven years since the country embarked on a radical economic liberalisation programme.

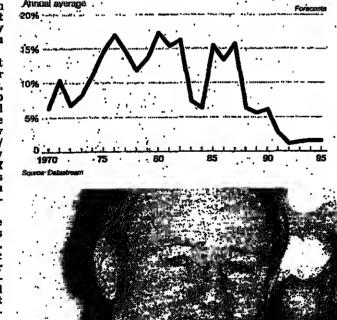
Not everyone believes the worst is over. The Trades Union Council, for example. points out that gross domestic product remains little higher than the level reached in Sep-tember 1986. "The National government spent the first year in office (1990/91) converting a stagnant economy into a contracting one, and the second undoing that damage," the CTU said in a recent submission to parliament. "The growth... is simply a bounce back from the plts of the middle of 1991, when the economy

plunged to a seven-year low."

But, for the less pessimistic, there are plenty of positive indicators. Inflation has been below 2 per cent for two years. unemployment has fallen to 9.8 per cent from a peak of 11.1 per cent, retail sales are rising, and husiness confidence is near its all-time high.

The Organisation for Economic Co-operation and Development, in a recent report. said New Zealand now has the hest opportunity for many years to transform economic recovery into sustained growth." The OECD also pointed out that the recovery is taking place against a background of subdued world economic growth and reductions in government spending, which have tended to depress the domestic economy.

The growth is being led by exports, reflected in a surplus on the merchandise trade balance of of more than NZ\$3hn in each of the last two calendar years, compared with an average for the previous six years of about NZ\$1.3bn. Underlying the recovery is the liberalisation programme. which the OECD once called



"the most comprehensive micro-economic reform pro-gramme undertaken hy any OECD country in recent

But the proximate cause of the improvement is threefold: Falling interest rates: five-year government bonds are down to about 7 per cent from 13 per cent in late 1990, and mortgage rates have fallen from more than 15 per cent to less than 9 per cent.

Exchange rate movements: the New Zealand dollar has depreciated by about 8 per cent on a trade-weighted basis, delivering a substantial boost in competitiveness to exporters whose domestic costs are static or falling.

Lower wages: unit labour costs have declined substantially following labour market deregulation in 1991. A survey by Bancorp, an Anckland merchant bank, suggests that labour costs are now 36 per cent lower than in Australia.

Mrs Rnth Richardson, finance minister, says with some satisfaction that New Zealand will have one of the fastest growing economies in the OECD in 1993/94 - a sharp contrast with most of the pre-

welcomed hy husiness or in the financial markets, which fear a relaxation of the prudent fiscal and monetary policies of the last three years. Fiscal policy has, in fact, been one of the government's

strong showing by the populist

Alliance party would not be

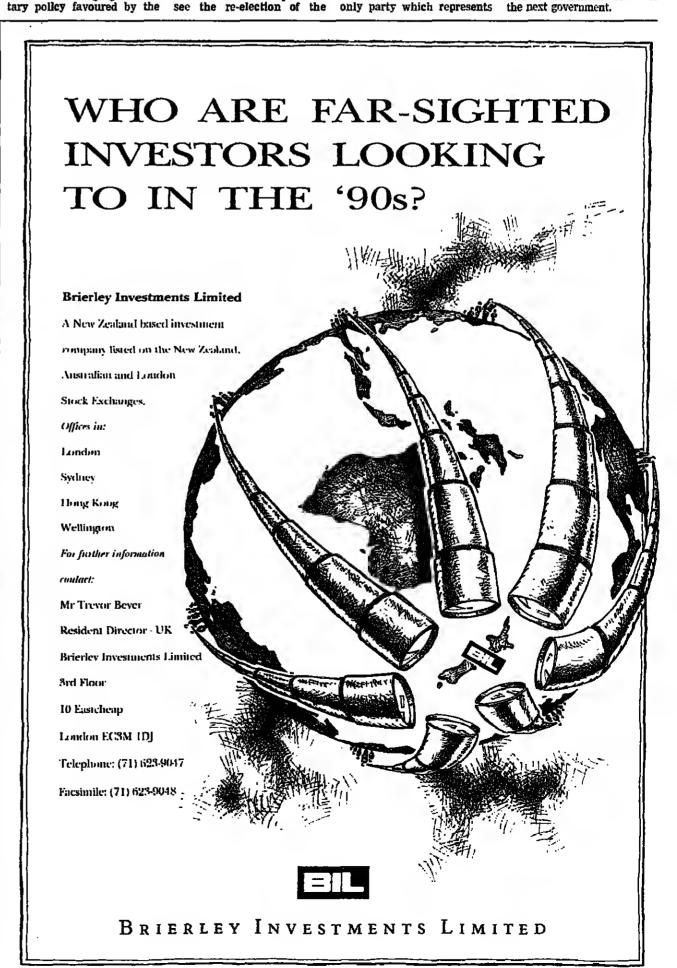
failures - Mrs Richardson has long since abandoned her election promise to balance the budget by the end of this year. Nevertheless, substantial progress has been made, and the financial deficit (which excludes privatisation receipts) is likely to total more like NZ\$2.5bn in 1992/98 than earlier projections of around NZ\$3bn. This is equivalent to just over 3 per cent of GDP, which would maintain the downward trend from the peak of 3.6 per cent in 1990/91. The Reserve Bank is forecasting a fall to 2.6 per cent by 1995. Mrs Richardson blames the

missed target on "factors out-side our control," mainly the rate at which the impact of corporate tax losses on government revenue is passing out of the taxation system. She says she is "leery" of setting e fresh target for the same reason, although the government expects to have been running budget surpluses "for some years" by 2000.

The other potential constraint on economic growth is the current account deficit. which deteriorated to NZ\$2bn in the year to March after narrowing to just NZ\$265m in the previous year. However, the deterioration appears to have been caused largely by one-off Interruptions to exports, which restrained growth in the merchandise trade surplus, and adverse movements in corporate investment returns. which are expected to be reversed. Ms Brigette Leckie. an economist at BZW in Anckland, says that concerns about the deterioration have been over-stated, and forecasts a small surplus by 1994/95.

"This recovery is different. It has been much harder to achieve than past recoveries, but it has not been underpinned by pump-priming, and we are not likely to see the bottlenecks caused by inflatioo, interest rates and the current account which have limited growth in the past," she says.

Kevin Brown



■WO and a half years after coming to power in a landslide election victory, Mr Jim Bolger is New Zealand's most unpopular prime minister since opinion

polling began. Mr Bolger's National party government has trailed tha opposition Labour party since shortly after the election, and has at times even fallen behind the Alliance coalition, a populist third party grouping. A month ago, the government was 16 points behind the Opposition in the most widely watched opinion poll, and even loyalists were forecasting that Mr Bolger's leadership could come under pressure unless things improved quickly.

Yet, the economy grew by 3 per cent in calendar 1993 double the sverage rate in the previous 20 years, inflation is steady at about one per cent, and unemployment has fallen to 9.8 per cent from a peak of 11.i per cent.

Recent polls have suggested that the government is finally beginning to make up ground on Labour, helped by a successful overseas trip by Mr Bolger and hints of a giveaway Budget next month. But political analysts say there are four main reesons why National faces the possibility of a humiliating defeat in the next election, which must be held by November: ■ National won in 1990

because it gave the impression that the free-market reforms of

The election later this year threatens to prove embarrassing for the ruling National party, writes Kevin Brown

A third force enters the political equation

the 1984-90 Labour government would be reversed. Its extension of the reforms to the labour market and social security left the government open to charges that it had misled the electorate.

Few of the benefits of economic recovery have yet flowed through to ordinary people. The result has been growing income inequality in what was once one of the world's most egalitarian coun-

Ten years of dramatic economic change has involved much of the population in painful restructuring. The gov-erning party is the easiest target for angry voters, as Labour discovered three years ago. ■ New Zealand'a political landscape has been fragmented by the strains which have accompanied economic restructuring, raising the pos-sibility of volatile shifts in political support away from both main parties. The initial spllt took place

ment, when Mr Jim Anderton, an amiable old-fashioned socialist with a colourful turn of phrase, took much of the party's far left into his New Labour Party. Against all predictions, Mr Anderton held his Christchurch seat at the election, and subsequently dis-

prompted rspid contacts Some political analysts claim that the National Party could suffer a humiliating defeat in the next election, which must be held by November

independent MP, would win 26

per cent of the popular vote. Together, the Alliance and Mr

Peters won 35 per cent support.

which could be enough to win

a three-party election under

New Zealand's first past the

post electoral system. The poll

between Mr Anderton and Mr

Peters but so far the two men

played considerable political skills in welding together a coalition of five minor parties. called the Alliance.

have held only "talks about talks." And there are a number of hurdles in the way of a suc-Support for the Alliance has fallen to about 22 per cent in cessful electoral arrangement. ■ Much of the support for Mr recent polls from a peak of Peters overlaps with support nearly 40 per cent in late 1991, for the Alliance, especially in but its prospects could be transformed by a further split Auckland, the country's biggest city. Alliance candidates between National and Mr Winston Peters, the highly popular in many constituencies might Maorl MP for Tauranga. A be unwilling to step aside to Heylen opinion poll suggested give candidates supporting Mr last month thet a party led by Peters a clear run.

The alternative would be for Mr Peters. 43, to join the Alliance. But he would probably want to assume the leadership. Mr Anderton says he is willing to step aside, but only after a party conference, which would be hard to arrange before the

■ The Alliance is already strained by differences between New Labour and Its partners: the anti-development Greens, the Maori rights Mana Motuhake party, and two renegade conservative parties, the Liberals and Democrats. Mr Peters shares with all the

parties an abhorrence for the deregulatory free market government policies of the last decade. But he is still a conservative - he voted, for example, for labour market deregulation, which is anathema to New Labour. Mr Peters has maintained

his popularity largely by svoiding setting out his own policies, lesving considerable doubt about where he stands.

Much of his popularity might disappear if he was forced to make hard choices. So far, Mr Peters is keeping

his options open - "the ball is in Winston's court. He has indicated that he will take part in talks, but we are waiting for him to respond," says Mr

Predictably, both the main parties cling to the hope that an agreement between the Alliance and Mr Peters will prove impossible to arrange, or that it will fall apart under the strain of an election campaign. Mr Don McKinnon, Deputy Prime Minister, says National is confident that it can recover sufficient support to win the election "if we can demonstrate our strengths as managers of the economy." National is also counting on the historical tendency for government support to improve in tha run-up to an election.

But Mr McKinnon admits that the government has been distracted by the internal battle with Mr Peters, who was given "an inordinate amount of time" to come into line before he was ejected from the party early this year.

The infighting has also hampered the govarnment's attempts to highlight divisions between Labour's free market and socialist wings, which have been successfully papered over by Mr Mike Moore, the Labour leader - "probably we have not done a good job in exposing the Labour Party in



its true colours," he says Mr Moore has spent the last 32 months distancing Labour from the record of the 1984-90 government, mainly by concentrating on the government's social security, health and labour market reforms. He has successfully resisted pressure to commit the party to reverse the free market thrust of the last decade, although it would re-introduce s measure of labour market deregulation. Nevertheless, the election result remains unpredictable. at least until the shape of any agreement between Mr Peters

and the Alliance becomes



Improvements in race relations

Agreement welcomed by Maori people

a significant break-through towards settling long-standing Maori grievances this year when it gave financial backing to a deal which helped Maori tribes buying a half share in the country's big-gest fishing company, Sealord. The grievances date back to

the early days of British colonisation; for generations, the Maoris have claimed that the British, and successive New Zealand governments did not honour the 1840 pact between both sides, the Treaty of Wai-

Both National and Labour governments have worked hard over the last decade at settling these problems. The Waitangi Tribunal was established to try to settle disputes particularly relating to land and fishing matters with the aim of finalising all grievances by the year 2000. However, the tribunal is not supposed to concern itself with land now owned by Europeans, and pes-simists suggest there will be ongoing problems in the years

While some of the tribunal's decisions heve been unpopular with some sections of the Euro-

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spread support with the view that the matters be dealt with promptly. There is also an acceptance that, in the past, the Maori people were unfairly treated, especially in land mat-

in the 1860s, for example, large tracts of valuable Waikato land was confiscated by the government at the end of the so-called 'Maori land wars.'

The problem was that the areas taken were top-quality farm land confiscated from Maori tribea who had supported the government. The dissident tribes were left with their poorer quality land.

HE Sealord deal, which cost the government \$175m, followed s Waitangi Tribunal ruling last year that Maori tribes were entitled to the deep sea fish resource around the South Island.

Prompted by South Island tribes, the government entered negotiations which allowed them to acquire a 50 per cent stake in Sealord, which controls about 25 per cent of the national fishing quota and most of the valuable hoki fish

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Brierley Investments bought the remaining 50 per cent. Earnings from the company will be shared around Maori tribes by a special commission. In spite of some initial

squabbling between different tribal groups, the Maori people have now welcomed the agreement, which it is hoped will lead to greater employment opportunities for a group which has been particularly badly hit by the protracted

Unemployment problems are particularly acute among younger Maori people and, as a consequence, they out-number other races in jall. The government and other agencles, including Maori people, are working hard at solving these problems through promoting education and raising Maori

pride, The aim, according to the Minister of Justice Doug Gra-ham is to ensure that the work of the tribunal will not only have the effect of improving race relations, but help lift the Maori people out of the depen-dency mode "where they have been for much too long.

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Political parties divided over radical reforms in industrial relations law ■WO YEARS after the implementation of one of the most radical reforms of industrial relations industrialised country, New Zealanders remain divided about the benefits and costs.

The Employment Contracts Act (ECA), which became law in May 1991, swept away a century of state regulation of the labour market in favour of a deregulated system which effectively by-passes trade unions.

law achieved in any

Under the old system, which dated back to 1894, most wages and conditions were set centrally in negotiations between unions and employers' representatives, and were then legally ratified as occupational "awards." These awards covered all workers in each rade, most of whom were also legally required to be union members. The effect was that bargaining was difficult at company level, and almost impossible at plant level.

The ECA scrapped compulsory union membership and national awards in favour of civil contracts between employers and individuals or groups of workers, which are enforceable under civil law. Employees can negotiate their

Fierce debate over contracts Labour force



own contracts or appoint bargaining agents, which can be trade unions.

Strikes are legal only during negotiations, but there are minimum entitlements for wages, holidays and sickness benefits. However, no consensus about the system has emerged, partly because of conflicts between various surveys as to its impact on

job creation, working conditions and competitiveness. Mrs Anne Knowles, the Employers' Federations' labour market manager, says the ECA has been "crucial to the recovery now taking place in New Zealand. It was the last link in the deregulation of the

"In the past, companies had

to be competitive on avery aspect of their operations, except labour costs. Now they know that if they don't get a competitive edge through negotiation they can't blame anybody else," she says.

The employers complain, however, that the impact of the Employment Contracts Act has been weakened by a narrow interpretation of the law by the Employment Court, which hears allegations of illegal activity by employers. The Council of Trade Unions

(CTU), agrees that the act has reduced labour costs, but claims that the ECA has failed to promote job creation, and has promoted an authoritarian management style.

The act was a one off hit at labour costs. It has produced a productivity boost, but the improvement in competitiveness is not sustainable because it has not been followed by an increase in business investment," says Mr Ken Douglas, CTU

president. The opposition Labour Party claims the act breaches United Nations provisions on labour market practices established by the international Labour

Organisation, ILO. Mr Mike Moore, Labour leader, says that the ECA will be scrapped if the party wins the next election. There would be no return to the awards system, but trade unions would recover their lost bargaining rights.

Mr Moore says such a change would bring New Zealand into line with employment practices in other advanced countries. But the prospect worries the

"Any change back towards a centralised prescriptive system with special rights for ... trade unions or employers' associations would be a retrograde step," says Mrs

Kevin Brown

Prote

Big increase in holidaymakers from

Asian countries

A surge in tourism

are discovering New Zealand in ever-larger numbers, helped in part by the increase in air services to the country and by strong promotions in Germany, Japan, Britain and the US.

Tourism New Zealand, the body charged with promoting the country abroad, bas invested NZ\$60m over the past 18 months and the industry is in a highly confident mood.

In 1992, tourist numbers grew by 9.6 per cent to 1.05m, the first time they had passed the one million mark. The growth has continued this year with arrivals running 10.2 per cent, ahead of last year in the January - April period. The tonrism hoard alms for 3m arrivals by the year 2000 New Zealand now earns

more than NZ\$3bn a year from tourism, making it the country's single biggest export earner, and the Tonrism Board says it should be earning NZ\$9bn by the year 2000. The board chief executive. Ian Kean, says the growth in

dled, especially in terms of the

"The fresh, uncrowded, unspoiled nature of New Zealand is one of our main attractions - and we'O keep it that

We offer a contemporary society with sophisticated cities, superh food and wine, a unique Maori culture, and physical and natural attractions which visitors say are unequalled anywhere in the

The industry sees its greatest growth potential as being part of the Aslan Pacific region. Growing disposable income is seeing a sharp rise in visitor numbers, although they are still well below those from more traditional areas such as Australia, the US and

Recession in the US led to a

NTERNATIONAL tourists 5 per cent drop in tourist numbers in the year to March to 169,519, and Australian visitor numbers were also down 1 per cent to 341,096. However, main promotions in Germany saw a 40 per cent lift in holidaymakers to 43,356, and they stayed for an average 30 days, longer than most other nation-

> The number of British visitors rose by 22 per cent last year to 120,227, and they stayed the longest of any nationality, an average 33 days. However, this percentage is boosted by the number of UK residents making extended visits to stay with family or friends.

Most European visitors prefer to rent a car and go where the mood takes them, stopping at hotels or motels in the many small towns that take their fancy. So do Chinese visitors from Taiwan, Hong Kong and Singapore. Large numbers of Chinese settlers have lived in New Zealand from the goldmining days of the 1860s. Younger Japanese tourists

are following the self-drive trend, although due to ian-guage difficulties their older compatriots tend to travel in groups by coach or airline. Rapidly developing airlinks, mainly pioneered by Air New Zealand, with Korea, Japan, Indonesia, Thailand, Taiwan and Singapore, have led to a sharp rise in visitor numbers from all those countries.

In the year to March the number of visitors from Taiwan rose by 46 per cent to a total of 91,387, There was also a 79 per cent increase in numbers from Singapore, and a 96 per cent rise from Korea. As Aslan tonrist numbers climb, so does their ownership of hotels. Singaporean and Hong Kong companies have bought many of the country's

top hotels over the past three

Queenstown: hub of New Zealand's tourist industry Year-round holiday venue

UEENSTOWN, a town-ship nestled at the foot of the sheer cliffs of a South Island alpine range known simply as The Remarkables, is New Zealand's most popular tourist destination. It is estimated that around 750,000 of the million overseas visitors who came to New Zealand last year spent at least a day at the resort - and most spent three days there.

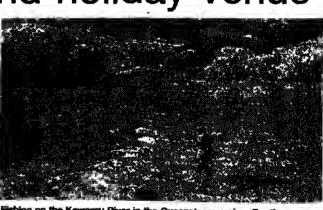
Despite the numbers, it is possible not to be aware of fellow tourists in this most unusual destination, as I found during a fortnight visit with my family at the height of the summer vacation this year. The reasons are simple:

Queenstown is the centrepiece of s leading holiday region, with an amazing variety of attractions. Most American, Australian or European visi-tors "disappear" there for the day in rental or hire cars. From Queenstown, there are short drives to deserted gold mining towns, around Lake Wakatipu, or further afield to lakes such as Wanaka or Te Anau which are preferred hy the local people as they offer better boating and fishing. For the more adventurous,

the Fiordland National Park is a 12-hour day trip, although others go by kuxury coach, or take a 20-minute flight to Milford Sound. Milford in turn offers jet boating to the open sea, hush-walks and a threeday tramp over rugged terrain to Lake Te Anau. Known as the Milford Track, this is one of New Zealand's leading outdoor sttractions.

Queenstown is a genuine year-round holiday centre: in the winter months, three of the country's top ski fields are within a 20-minute drive.

All summer sports facilities are available. Two excellent local vineyards produce award winning wines. Each claims to be the most southerly vineyard in the southern hemisphere, and the wines are distinctive and pleasant. Other small vine yards flourish throughout the region, and visitors are encouraged to go on a day long wine trail. The Earnslaw, said to be the oldest coal-fired passenger steamer still afloat has the dis-



active there is bungy-jumping from the Kawarau Bridge

tinction of being launched on the same day as the Titanic. It sails regularly to high country "runs" (the local name for sheep farms), where it berths, and passengers are encouraged to dine at the homesteads. For the more active, a former

Queenstown resident - and now millionaire - A J Hackett, offers bungy-jumping from the historic Kawerau Bridge into swirling waters of the ravine below. There is also year-round white water rafting, para-gliding, jet boat rides on the turbu-ient waters of the Shotover and Kawerau Rivers, safari trips and helicopter rides. Queenstown is bubbling with

confidence about its future as the hub of New Zealand's tourist industry. This is leading to a mini-construction boom: and the sleepy town of the 1960s and 1970s, is now host to 60 competitively priced and surprisingly good restaurants.

Terry Hall

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المحالانماناده ا

270,534 sq km

.HM Queen Elizabeth II

.3.48 million

Profits from agriculture generally remain low

Trade barriers still trouble farmers

GRICULTURAL and primary products remain Zealand's export efforts, and with access problems remaining in many key markets, the country is pinning its hopes on satisfactory outcome of the GATT Uruguay round. From the mid-1980s the coun-

~555555

try energetically removed all forms of farming tax incentives and farmer support systems, hoping to prove to the world that Naw Zealand could be a model of efficiency and show what an agriculturally-based economy could achieve in a liberalised trading environment.

Profitability is gradually

returning to the sector, after a difficult transition period, when many farmers were forced to leave their properties because of financial difficulties compounded by high interest and exchange rates.

Today most farmers welcome the reforms, arguing through their representative body, Federated Farmers, that they are succeeding through a combination of hard work, efficient

Average farm profits remain low, however, especially for wool and beef farmers. New Zealand continues to

run into trade barriers, such as the decision by the US authorities to cut the quota for beef imports from 214,000 to 194,000 tonnes this year.

Access problems continue for lamb exports to the EC. Despite a quota of 200,000 tonnes, exportera believe strong demand could easily see

Quotas limit the sale of beef, lamb and dairy products in key markets

New Zealand supplying 250,000 tonnes this year.

In dairying, New Zealand is severely limited in the amount of cheese it can supply Britain, and faces e quota for butter. The New Zealand authorities attach great importance to further reform in the GATT round. This month, Trade Negotiations Minister Philip

Burdon warned against pressure to "water down" measures to liberalise world agricultural trade. He said any outcome that reduced any of the proposals was unacceptable to New Zealand and other members of the Cairns Group of agricultural exporting nations.

"We have already made concessions and must be very firm in resisting any further reduc-tion in the draft agreement."

Privately, New Zealand negotiators are confident of a satisfactory outcome. However, no one expects it to solve all New Zealand's problems. For example, the removal of the present US quota system for beef would open up that market to imports from South American countries who are making strenuous attempts to eliminate foot and mouth disease.

The New Zealand egricultural scene presents a complex picture: producers of some commodities are achieving high profits, while others continue to struggle. High lamb prices in Europe and elsewhere



New Zealand has had an extended summer of warm temperatures and light rain which bas been perfect for lamb production. Farmers have been holding back stock from meat companies to get the best price. In turn, this is leading to difficulties for the companies

to fill orders from the UK and elsewhere, and they are being forced to pay exceptionally high prices for lambs at livestock sales.

With a positive outlook for the next 18 months for sheepmeat prices, the price of a lamb bas doubled since last year from around NZ\$25 to NZ\$50. However, the same farmer is receiving remarkably low prices for fleece wool, due to the international recession. It is estimated that real wool prices are at their lowest level since the 1930s.

In the US, the quota system has led to a big rise in prices for New Zealand beef at market, which are an important ingredient in the hamburger

Last year the US took 76 per cent of New Zealand's beef production. This year it is taking 55 per cent. Supply problems in the US has led to the equivaent of a NZ 70 cent rise in the American market price to the past six months to around NZ\$5.35 a kilogram.

However, this apparent bonanza benefitting New Zealand farmers, as the export companies are being forced to sell the remaining 45 per cent at lower prices elsewhere in the world, where they are running into competition from US

Exports of fruit also present a confusing pattern. The abun-

dant supplies of fruit of all types last year in the important European market, coupled with the loss of the US market led to hig headaches for kiwifruit producers. Returns from kiwifruit tumbled from NZ\$1bn to NZ\$500m causing serious problems for the newly formed

Kiwifruit Marketing Board

which has ended up in finan-

cial difficulties.

The board is hoping that a smaller crop this year will eventually lead the industry to recover, Last year apple exporters earned exceptionally good money; most of their crop wes sold in European and other markets before the glut of European fruit depressed

So far this season New Zealand apples are selling well in Europe, especially the new varieties, bnt thera is some concern at how more traditionai varietiea - such as Granny Smiths - will sell, due to increased competition from South Africa and other produc-

There is optimism that the agreement last month which saw the Japanese government agree to import New Zealand appies, will lead to good returns for orchardists over the next five years. This was a significant breakthrough: New Zealand is now the only country apart from Korea allowed to sell apples to Japan.

varieties.

since fallen back sharply, the

New Zealand dollar (NZ\$) Average exchange rate . 1991 \$1=1.7265 NZ\$ 1992 \$1=1.8584 NZ\$ ECONOMIC INDICATORS 1992 Total GDP (\$bn). Real GDP growth (%) Components of GDP (%). Private consumption n.a. n.a. ANNUAL % GROWTH IN: Producer prices (%). 2.1 0.9 1.3 Wage rates (%).. -3.7 3.1 8.3 Employment (%). Narrow money (%) Broad money (%). FT-A share price index (%)1. -4.1Reserves minus gold (\$m, Dec). Discount rate (% pa,year-end)... 9.15 Govt bond yield (% pa, avg.).... Current eccount belance (\$m).... Exports (\$m). 9,270 Imports (\$m). 8,418 1,254 9,152 Trade Balance (Sm). Main trading partners (%)2. Imports 22.0 15.8

KEY FACTS

Population

(1) Percentaga Increase at year-end over previous year-end. (2) Percentage share of trade in 1991. Sources: IMF, World Bank, OECD, Datastream, FT Statistics

Last year New Zealand price of a New Zealand radiata earned NZ\$1.3bn from exportlog is still fetching NZ\$425 a ing fish, tha first time the total cubic metre compared with had passed the \$1bn mark. NZ\$150 this time last year. New Zealand is a world While optimism remains high that the industry will be earn-

leader in farming timber. ing \$2bn a year by the end of the decade, the Fishing indus-Thanks to its warm climate with ample rain, trees flourish. try Board warned last month and reach maturity in 20 to 25 that earnings would probably years. With forecasts of growfall this year because of the ing supply problems over the depth of the northern bemicoming years, especially in Asla, confidence is high that sphere recession which is forestry will continue to pay depressing prices for some handsome dividends.

In recent months, however, This is leading many farmers to transform large parts of forestry has turned out to be a real bonanza for farmers and their farms to farming radiata others. Environmental probpine trees - a process that is making a dramatic difference iems in the US and Asia led to a quadrupling of the prices of in the New Zealand landscape. some timber. While prices have

18.0

Manufacturing has responded to the new economic climate

A supplier to niche markets

industry is recovering from the sharp shocks it received over the past decade as a result of the efforts by successive governments to restructure the economy.

The real value of sales grew 6.7 per cent in 1992, a complete rebound from the 6.3 per cent contraction in 1991.

The latest figures from the Manufacturers' Federation show that the ratio of pre-tax profits to sales in the 1992 year was 7.4 per cent, up from 6.4 per cent in 1990. The general manufacturing sector showed real growth in exports of 15.1 per cent compared with 1.7 per cent in 1990, and some industries were facing capacity constraints. The sector bas also worked for six years.

Howevar, the fedaration's survey says that the sector'a biggest worry has been the growing amount of imports in the domestic market. Industry

ANUFACTURING had already taken a series of knocks from 1980 onwards as the National government moved slowly towards tariff reductions, especially in textiles. It received a setback from 1984, when the the reformist Labour government, virtually overnight and without warning, decided to deregulate the economy and open it to import competition, with the aim of making the industry focus on

exports. From 1960 manufacturing had expanded strongly under the combined stimulus of import protection and a range of government incentives. aimed at securingDevelopment full employment and economic diversification.

The changes in the 1980s severaly damaged industry international companies to relocate their factories to Australia and elsewhere where tax and other incantives were available. Many industries hecame uncompetitive, and

Focus on Napier, Hawke Bay province

Protection for a unique legacy

NAPIER, the capital of Hawke Bay province on the east coast of New Zealand's North Island, is a hidden jewel with a tragic history and a glorious, but little known, architectural

The mid-summer sun was shining brightly on February 3, 1931 when an earthquake easuring 7.9 on the Richter scale hit the town without warning, demolishing most of the commercial district. The two and a half minute series of tremors killed 258 people throughout Hawke Bay. including 162 in Napier, then a town of just 16,000, and 93 in Hastings, a few kilometres to the south.

The disaster stunned New Zealand, then still a frontier society with less than 100 years of European settlement behind it. But within two years, both Napier and Hastings were rebuilt. The result is one of the best collections of 1930s buildings in the world, including dozens of excellent examples in the Art Deco. Stripped Classical and Spanish Mission styles typical of the

Napier is especially valuable

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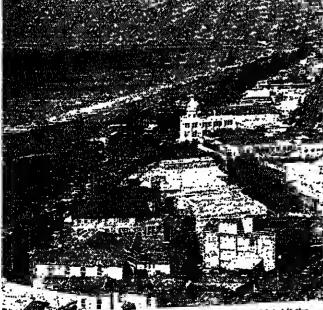
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centre was rebuilt to a coherent plan by a group of forward-looking local architects for whom the modern styles represented a

break with the tragic past. Amazingly, the town's unique architectural legacy was virtually ignored until the mid-1980s, when the proposed demolition of a particularly fine building prompted the formation of an Art Deco Trust to defend the buildings. Mr Robert McGregor, chief executive says 11 buildings were demolished in the 1980s. A conservation-minded council has introduced planning guidelines to encourage refurbishment, but the threat

of further demolition remains. "Some of the buildings that were knocked down were not greatly important, but our argument is that *any* building which is lost creates a gap in the smile. It's like losing a front tooth - you still have all your other teeth, but It ruins your appearance," says

Kevin Brown





ntage: New Zealand's meat exporting industry is cutting ufacturing costs by Introducing advanced proces

their owners closed them

Industry's efforts to respond to the new environment crethermore, hampered by tha combined effects of financial sector deregulation, and the subsequent sbare market boom, which saw the channelling of investment towards speculative endeavours.

The Labour government, too, deliberately ran a high exchange rate policy in an unsuccessful attempt to control domestic interest rates and inflation. The domestic market entered a severe recession from 1988, and the manufacturing sector was also struggling against the Labour government's reluctance, or slowness, to deregulate other markets, such as labour, transport and shipping. The high value of the dollar led to a flood of imports, which were by then virtually uncontrolled.

Peter Coakley, of the manu facturing advisory group said in a recent detailed report that the first signs of Industry recovering began to be noted in 1989, as the benefits of the economic reforms became stronger and new export oriented strategies of manufacturers began to generate results.

"For a time this was masked by continuing retraction in various parts of the sector due to imports, but the extent of the new competitiveness in manufacturing is evident from its increased competitiveness, rising confidence, and the resurgence of exports across a substantial part of the sector in the past year.

The present National party government has provided two important benefits to the sector. One has been a relaxation In the Reserve Bank's inflation target, which was given an extra year to reach nil infla-tion. This allowed it to relax monetary policy and led to a fall in the value of the Kiwi

In recent weeks, bowever, the value of the Kiwi dollar bas risen strongly, owing to improving economic signals. This has led to protests from manufacturers, especially those dealing with Australia, where the currency has weakened sharply. There has also been a fall in domestic interest rates from around 17 to 10 per cent over the past two years. However, the main beneficial

change has been the Employment Contracts Act, which effectively weakened the power of the trade unions (see facing page). Initially, this led to a fall in incomes, though latest figures show wages are growing due to increased productivity payments. Real sales generated per hour in the manufacturing sector are running at a record

"Manufacturing bave been able to maintain high produc-

tivity in spite of increasing staff numbers and the totals of hours worked. This indicates systems is providing the basis for a sustained improvement in the international competitiveness of New Zealand busi-

in 1992, manufacturing unit costs of labour fell by 5.5 per cent compared with a 4.2 per cent rise in Singapore and a nil change in Australia. Munro McLennan, an executive with UK meat group, Weddell Crown, said recently that the export meat industry was a "magnificent example" of the changes taking place in pro-

Previously unions banned more than eight hours work at a plant, which led to costly duplication. Now three-shift plants are common, industrial conflict seems non-existent

The geographical pattern of export trade has changed significantly

productivity payments are common, and workers are undertaking more complex pro-

cessing tasks.

New Zealand manufacturers see their future as a supplier of nicbe markets. This has been fostered by the way industry developed. Many companies, such as white goods maker Fisher and Paykel, became adept at handling small production runs during the years of import protection. This the industry believes has brought competitive advantages in terms of product development innovation, quality controls and the ability to supply short

run or urgent orders. industry is now export ori-ented, and figures show that, despite the severe setbacks of the later 1980s, has more than doubled its share of total export receipts over the last 20 years, a trend that will continue. New Zealand manufac turing export growth at 7.3 per cent last year continues to be higher than the OECD average of 5.6 per cent.

The geographical pattern of New Zealand's export trade has also changed significantly over the past 15 years as markets have become more diversified. In 1976 Australia took 43.1 per cent of New Zealand'a basic manufactured exports, Jepan 32.3 per cent and a range of other markets 24.6 per cent.

Last year Australia's share was slightly lower at 42.7 per cent, Japan's considerably lower at 16.5 per cent, while a greater range of destinations. notably Thailand, Singepore. Hong Kong and Taiwan, took 40.8 per cent of total manufactured exports.

Terry Hall

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COMMODITIES AND AGRICULTURE

Gatt attacks Lome convention over bananas

By David Dodwell, World Trade Editor, in London, and Canute James in Kingston

THE LOME convention of preferential trading arrangements between European Community members and their former colonies is expected to face Its greatest threat today. as a dispute panel of the General Agreement on Tariffs and Trade (Gatt) condemns the convention as contrary to international trade rules.

In what was being described yesterday as its hardest hitting panel report ever, the Gatt panel is expected to uphold on all counts a challenge from Latin American banana exporters that the EC's preferential banana import regime for developing country members of the African, Caribbean and Pacific grouping is discriminatory, and at odds with fair

The EC and a group of ACP countries were planning yes-terday to block the panel

MINOR

Prices from Metal Bulletin (last

ANTIMONY: European free

market 99.6 per cent, \$ per

tonne, in warehouse, 1,550-1,620

BISMUTH: European free

market, min. 99.99 per cent, \$

CADMIUM: European free

market, min. 99.5 per cent, \$

per lb, in warehouse, 0.44-0.50

COBALT: MB free market,

COBALT: MB free market

MERCURY: European free

market, min. 99.99 per cent, \$ per 76 lh flask, in warehouse,

MOLYBDENUM: European

SELENIUM: European free

free market, drummed molyb-

dic oxide, \$ per lb Mo, in ware-

market, min 99.5 per cent, \$ per

lh, in warehouse, 4.70-5.40 (4.70-

TUNGSTEN ORE: European

free market, standard min. 65

per cent. \$ per tonne unit (10 kg) WO, cif, 27-39 (same).

market, min. 98 per cent, \$ a lh

URANIUM: Nuexco exchange

value, \$ per lh, U₃O_e, 7.10

LINE WAREHOUSE STOCKS

V₂O_b, cif. 1.30-1.40 (1.30-1.40).

VANADIUM: European free

house, 2.25-2.30 (2.20-2.25).

115-135 (same).

5.40).

99.8 per cent, \$ per lb, in ware-

bouse, 13.40-14.00 (13.80-14.50).

99.3 per cent, \$ per lb, in ware

house, 10.40-11.00 (10.90-11.70).

per lh, tonne lots in ware-

house, 2.25-2.50 (same).

(1.590-1.640)

METALS

the Gatt Council when it meets this afternoon. But there was no disguising their consternation over the

ruling. "The report is drastic in its implications," one hanana trade expert noted. "It will affect not just Lomé countries, but any developing countries that have preferential trading arrangements with specific groups of countries."

The Gatt dispute panel, established in February after a complaint filed by Costa Rica, Colombia, Guatemala, Nicaragua and Venezuela, ruled that the Lome arrangement could not be defended as a free trade agreement or customs union. since the concessions are just

defence that these preferences were allowable for developing countries - arguing they benefit just a small group of countries, and discriminate against a large number of developing

By Tony Hawkins in Harare

their industry.

ZIMBABWE'S TOBACCO

growers meet in Harare today

at a time of deepening crisis in

With a quarter of the 1993

crop having been sold on the

Harare auction floora, the

obacco price is averaging 94

US cents a kilogram, down 43

per cent on last year'e average

and more than 70 per cent

below the record US\$3.25 a

Last week, Mr Ian Alcock,

President of the Zimbahwe

Tobacco Association, which

represents growers, told farm-

ers to cut production hy

between 30 and 35 per cent. He

said the industry should pro-

duce a 1994 crop no larger than

150m kg, compared with the

230m kg estimated for this

The ZTA is likely to come in

for sharp criticism from some

kilogram, achieved in 1991.

It also rejected the EC

countries. The basic Gatt principle of "most favoured nation" status demands that preferences extended to any one country or group of countries cannot be withheld from oth-

The panel offered a a straw to clutch at to the EC by saying it could seek a formal waiver from Gatt rules to defend its Lomé commitments. The US has obtained waivers for various preferential trade arrangements which it recognises as falling outside international trade rules - not least its accord with signatories to the Caribbean Basin Initiative. The EC was yesterday predicting it would enccessfully weather this afternoon's storm

per year quota for Latin Ameri-

market trends. But the associa-

tion will argue - with some justification - that the swing

from a sellers market to one of

overproduction and oversupply

was very sudden and all other

producing nations were caught

flue-cured tobacco have been

sold on the auctions - 24 per

cent of the forecast crop of

In the past prices have tended to harden markedly in

July and August, when the

high quality leaf comes on to

the floors, hut growers and

merchants say this is not going

to happen to anything like the

same extent this year. Price

forecasts for the season range

between a high of US\$1.20 and

The tobacco crisis has

far-reaching implications for

the economy. It means there

will be negligible growth in the

a low of \$1 a kilogram.

So far this year, 55m kg of

out in the same way.

some 225m kg.

Zimbabwe tobacco growers face crisis

allow the new banana regime to hecome safely established. "The most important element of our strategy now is to not just hecause they could avoid at all cost the fast track block adoption of the panel procedure which will be report, but because it applied requested by the Latin American countries when to a banana trade regime that is due to be replaced on July 1. The EC's agriculture ministhey request a second panel to ters have proposed that from look at the regulations July there will be a 2m tonne governing the banana regime."

tonne

to win approval at today's

council for a new panel exam-

ining the new banana import

regime. Much energy will be

spent hy Caribbean exporters

aimed at ensuring the panel is

forced to deliberate for six

months, rather than follow an

accelerated three-month proce-

dure. They hope this would

said Mr George Brizan, Grena-

all. The build-up of a tobacco stockpile of about 160m kg this

vear will impose new strains

on the banks, which will not

only have to carry tobacco

growers through a second diffi-

cult season after last year's

drought, but will be called

upon to finance a stockpile

worth more than US\$1.5bn.

This is likely to mean that

interest rates will remain high

for the rest of the year, thereby

exacerhating the squeeze on

farm cash flows and making it

difficult for tobacco growers to

diversify. One forecast sug-

gests that the tobacco sector

will lose some US\$50m in 1993.

fication opportunities, Many

tobacco growers will probably

switch into maize, raising the

crisis when Zimbahwe huilt up

a massive stockpile of maize.

which it could not afford to

maintain and was unable to

spectre of a re-run of the 1980s

There are no ohvious diversi-

can fruit, and that this will attract duty of Eculoo per da's agriculture minister. ACP banana exporters face a tonne. Imports of Latin Amerifurther serious hurdle on Frican fruit above this level will day this week when the Euroattract a duty of Ecu850 per pean Court of Justice hears a demand from German banana This will bring brief comfort. importers for an injunction however. The Latin American delaying introduction of the

hanana exporters are expected new regime. Germany has in the past largely imported "dollar bananas" from Lafin America, and has been deeply unhappy about new single market arrangements which would force importers to share the cost of the ACP preference scheme, significantly raising the price of bananas for Germans, who are among the world'e largest consumers of

the fruit. Some ACP members were also complaining yesterday that the banana panel ruling "somewhat pre-empts" the work of a Gatt working party inquiring into the Lome convention, which is on the agenda to he established at today's council meeting.

warning growers against this.

pointing out that the maxi-

mum export market for the

industry is probably in the

The beef industry is in seri-

ous trouble with weak demand at home and abroad and farm-

ers continuing to destock with

serious implications for

long-term production. Horticul-

ture is constrained by high

transport costs, while profit-

ability in cotton is uninspiring. With industry leaders warn-

ing that the crisis will last for

another two or three seasons

the locomotive that has driven

the Zimbahwe economy for

much of the past 40 years

seems to have run out of

Perhaps even more disturb-

ing are the signs that agricul-

ture, as a whole, faces a diffi-

cult period over the next few

years, highlighting the urgent

need - from Zimbabwe's view-

region of 300,000 tonnes.

Derivative products help to cap gold price rises

David Blackwell on the impact of an ever widening range of derivative products on the global market

AN EVER widderivative products brought an tonnes of gold on to the market last year, the Financial Times World Gold Conference in Ist-

anbul was told yesterday. While not a huge amount, this was sufficient to cap any price rallies, especially in the short term, said Ms Jessica Jacks, an economist with RTZ. The figure would have been much higher if new busines from options and other derivatives had not been offset by a reduction of almost 115 tonnes

in outstanding gold loans.

At the end of last year the total amount of gold associated with outstanding producer derivatives was 1,215 tonnes up from 1,130 tonnes in 1991. Ms Jacks estimated.

Options increased from 203.5 tonnes in 1991 to 282.4 tonnes last year, while other derivatives increased by 156 tonnes in the same period. At the same time forward sales fell from just over 280 tonnes to 244.9 tomes.

Average realised prices hedged for this year were \$385 a troy ounce for Australian producers and \$370 for North American producers. "Bear in mind that at the end of 1991. the average weighted hedged prices well exceeded \$400 in hoth Australia and North America," Ms Jacks said. Throughoot 1992, therefore, the producers accepted lower and lower hedged prices."

If the gold price were to rally

and stabilise around \$420, "a number of mining companies could begin to feel a little less than happy with their hedged positions," said Ms Jacks. A survey of mining compa-nies showed that for a large

majority the percentage of their production alraady hedged and their planned output were the main determinants in their decision making. "The dollar price and local price of gold surprisingly ranked only third," said Ms

Most mining companies said they would be prepared to buy market as:

ening range of Demand for gold from regional markets in the Middle Rast India, South-east Asia and China was at record levels again Jast year, helping to digest the highest level of central bank sales since 1968, Mr Timothy Green, chief consultant to Gold Fields Mineral Services, told the conference. In the first quarter of this year, with gold around \$330 a troy ounce, demand was soaring to even higher levels. The price simply had to get to a higher trading range to cool the physical demand," he said. "In my view we would otherwise have been heading for global der of not far short of 4,000 tonnes this year on mine output of about 2.200 tonnes.

The regional markets were price sensitive so the demand would not be sustained, he said. Nevertheless, they provided a genuine floor, and indicated when people in many currencies regarded gold as cheap.

back their forward sales. although most did not consider

they were over-hedged. Many had been offered exotic options, but relatively few made use of them because they did not fully understand the principles and pricing mechanisms of the instruments.

She said creators of exotic options should be wary of overcomplicating the product or the way it was presented.

The past 18 months had also seen the emergence of between 10 and 20 central banks as option granters, Ms Jacks said by writing call options, they earned a premium, giving some return on their gold reserves. About 466 tonnes of gold is thought to be involved. It was impossible to predict what sort of "weird and wonderful" instruments would emerge in tha future, Ms Jacks said. "For each price profile, thrre is considerable latitude for highly complex products. each with a specific application and target market. Declining

tion." Mr Ian MacDonald, precious metals marketing manager at Credit Suisse, told the conference the availability of overthe-counter options and derivatives had revolutionised the gold market. A typical trader would no longer say his higgest client was a central bank or mining house - but the options department of his own

prices or sharply increasing

prices lend themselves to a

derivative of some descrip-

company. He described the main effects of the derivatives on the gold • The prolongation of existing market trends, or the acceleration of new trends. Increased trading in gold. rather than holding it as a lone VESTAEN: T

MESTMENT C

41.5

term asset. Increased sophistication of market operators - including banks, mines, central banks, investors, institutions and hedge funds.

• The setting up of hedging and speculative positions for small capital outlay. Turning to the recent gold rally. Mr MacDonald said the markets had a habit of going after volume. The largest volume in the option book had

been the \$400 and \$450 strikes. ha said Therefore it is highly likely that at some point a move over \$400 is to be expected because of the sheer volume of calls that have been written."

Mr Frank Veneroso, a partner in Omega Advisors. euggested that the widening gap hetween supply and demand could force the price sharply perhaps to \$1,000 a troy ounce in tha next five

The supply over five years from world mines and scrap might be expected to expand by 10 per cent to perhaps 3,000 tonnes a year. But demand excluding Western investment would grow by 6 to 7 per cent each year to almost 5,000 tonnes a year.

Such a gap would lead to a real price of \$700 in 1992 prices - or \$850 after inflation of around 3 to 4 per cent a year. Market equilibrium would then take it through to 1,000 a troy

growers for its failure to keep country's economy and exports point - for an unturn in metal them better informed on world will grow only marginally, if at Malze industry experts are

Dairy farmers look forward to higher prices for milk

By Deborah Hargreaves

DAIRY FARMERS can look forward to higher prices for their milk when the market is liberalised and the Milk Marketing Board is abolished in April next year, according to Mr Andrew Dare, chief execu-

tive of the MMB. "European milk prices are a lot higher than ours - only low as in the UK - and most UK milk is of a higher quality than the lower fat European

varieties," Mr Dare said. He expects farmers to see an additional coupla of pence per litre for their milk in spite of an over-supply in the market.

Interest from farmers in the Milk Marque - the planned successor to the MMB - bas heen encouraging and the board hopes to be able to sign up 80 per cent of farmers for the new voluntary co-opera-

Some food companies are setting up schemes to buy milk directly from farmers, but Mr

COCOA - London POX

Previous

Dare said these were asking farmers to adopt a high risk strategy by linking themselves to the fortunes of just one cus-

This year's milk price to farmers is 22p per litre and is likely to rise to 23p per litre hy the beginning of next year, Mr The MMB's costs came to

1.4p per litre of which 1.1p goes Announcing the MMB's annual accounts, Mr Dare said

E/forme

last year had produced a sur-

compared with £2.23hn the year before.

The amount of milk sold by the MMB dropped slightly hy one per cent to just over 11m litres. The doorstep market for milk declined 7 per cent but this was compensated hy an increase in shop sales.

The number of milk producers, however, continued to number of registered dairy farmers dropped by 2.6 per cent.

1154 1181/1174

1205 1221/1213

WORLD COMMODITIES PRICES

1145.5-7. 1171-1.5

LONDON METAL EXCHANGE

Copper, Grade A fC per tornel

1209.5-10.5 1219-20

Cesh 1164.5-5.5 3 months 1179-8.5

Aluminium, 99,7% purity \$ per torme

Computer bugs at New York exchanges

By Laurie Morse in Chicago

(Prices supplied by Amelgamated Metal Trading)

1154-4.5 1178.5-9.0

1204-5 1212.5-3.5

Kerb close Open Interest

1179.5-80.0 194,692 lots

Total daily turnover 39,535 lots

Total daily turnover 2,439 lots

221,524 lots

20,653 lots

50,777 lota

and shortened sessions. A representative of the New COMPUTER problem York Mercantile Exchange said disrupted price reporting the cause of the computer dis-for all of New York's ruption had not heen determajor commodity and futures exchanges yesterday,

resulting in delayed opening the World Trade Centre huild-

mined.
The exchanges are located in

ing, which was subject to a terrorist bomh hlast in Febru-All the exchanges had man-

said the shortened se dons

would not affect the day a set-

a by 11.39 EDT

MARKET REPORT

to 259,175 to 93,090 to 675,125 to 20,036

The GOLD market firmed yesterday, shrugging off signs that US inflation pressure might be easing. Having dipped early on by \$1 the London buillon market price railied to close \$1.80 up on the day at \$365.75 a troy ounce. "I think the market got itself a bit short and when buying came in. people ran for cover," one dealer said. After the price bounce another dealer commented: "I would regard anything around \$363 [the low opportunity to buy". At the London Metal Exchange the TIN market came under renewed pressure as traders became increasingly

London Markets

SPOT MARKETS			White	Close	Previous	High/Low
Crude oil (per barrel FOE)(J.k.	9	+ or -	Aug	286.00	284.40	286.50 284.00
Brent Blend (disted)	£17.05.742		Oct	280.50	280.00	261.00 279.00
W.T.J (1 pm est)	\$17,25-7.27 \$19,04-9,06z		Dec	261.00	260.40	261,50 281,00
	319.04-9.002	-305	Mer	284.80	283.50	254.90 284.00
Oil products			White St	5 (1147) (Paris- White	(FFr per torne):
NWE prompt delivery per to	ONING CAF	+ 0.		6.48 Oct		
Premium Gasolina	\$200-202	-1				
Gas Of	\$164-165		CRUDE	OIL - IPE		\$/be
Henry Fuel Oil Nephtha	\$58-60			Littee	t Previo	s High/Low
Petroleum Argus Estimates	5 171-173	-5				- 144100
			Jul	17.38		17.57 17.33
Other		* or -	Aug Sep	17.84 17.67		17.79 17.68
Gold (per troy oz)	\$366.75	+1.60	Oct	18.D4		17.99 17.82
Sever (per troy cz)\$	427.0c	+7.0	Nav	18.19		18.14 18.02 18.29 18.16
Tatinum (per troy oz)	\$376.35	-6.15	Dec	18.29		18.29 14.16
Palladium (per troy oz)	\$126.00	-0.25	IPE Inde			18.29
Copper (US Producer)	88,50					
Lead (US Producer)	34.63c		Turnover	40611 (4)	2151)	
Tir (Kusts Lumpur market)	12.90r	-0.15				
lin (New York)	236.5c	-3.0	GAS OF			
Zinc (US Prime Western)	62.0¢					\$/101
Cattle (live weight)	142.64p	-1.08°		Close	Previous	High/Low
Sheep (Ive weight)-ф	109.18p	-10.54	- Sui	164.00	164.50	164.00 168.00
jās ģive melāļiģi.	86.82p	-4.53°	Aug	165.75	166.50	185.75 185.00
ondon daily augar (rew)	\$283.9	-3.5	Sep	167.75	166.75	168.00 167.50
ondon daily sugar (white)	\$283.2	-2.0	Oct	171.50	172.25	171.50 170.76
Tate and Lyle export price	£297.5	-2.5	Nov	173.75	174.50	173.75 173.25
			Dec	175.76	176.50	176.00 176.00
Barley (English feed)	Unq		Jen	178.50	177.76	177.00 178.25
datza (US No. 3 yellow)	€166.5t		Feb	176.26	177.50	178.25 178.00
Mheat (US Dark Northern)	£141.6t					
lubbar (Juli) P	57.50p	-0.75) Urnoyer	10192 (11	843) late of	100 tonnes
tubber (Aug)♥	57.75p	-0.75				
Autober (KL RSS No 1 July	209.5m	-0.5	W.E	F D		
Coconut of (Philippiness)	\$427.6v	-5.0	\$396	BWD \$295	Cand F 4	0, BWC n/a, 8TD nhwerp: BTC \$305,
with Oil (Malayslant)	\$352.5y		BWC S	305, BTD	\$280, BW(\$280.
cona (Philippines)§	\$279.0					
ovebeens (US)	£174.0u		1 ~~~			
lotton "A" Index	58.45c	+0.10	СОПТ			
Woodtoos (64s Suber)	357p	-U. 14	M 92	oor-spot a	ng elepine	at sales amounted
sounds lose actes!	-erb					k ended 11 June evious week, Sub-
a tonne unless otherwis- cents/lib. r-ringgit/kg. y-Jul Jul t-jun \u00e4London ptyuko: kullon market close, m-Make	Sep. z-Aug.v	-lul/Aug	Suppor	offtako did n was for	not bring	many operations. certain specialist

concerned over rising stocks. growing production and sluggish demand. A slide through \$5,100 a tonne for three months metal triggered stop-loss selling and the price ended at a 20-year low of \$5.070 a tonne, down \$90. London's robusta COFFEE market reversed an early setback to end \$2 up on the day in the September futures position, at \$922 a tonna, near the middle of the recent trading range. The COCOA market

remained quiet with nearby futures

Compiled from Reuters

contracts scoring small gains.

SUGAR .	- Louiday	FOX	(S per I
White	Close	Previous	High/Low
Aug	286.00	284.40	226.50 284.00
Oct	280.50	280.00	261.00 279.00
Dec	261.00	260.40	261,50 281,00
Mer	284.80	283.50	254.90 284.00
	5 (1147) (3.48 Oct		(FFr per torne)
CRUDE	OIL - TPE		
	Littee	t Previo	us High/Low
	17.38	17.56	17.57 17.33
Aug	17.64	17.76	17.79 17,68
Sep	17.67	17.85	17,99 17,82
Oct	18.04	18.15	18.14 18,02
Nay	18.19	18.31	18.29 18.16
Dec	18.29	18.38	18.29
IPE Index	17.62	17.79	
GAS OIL	- IPE		3/
	Close	Previous	High/Low
	164,00	164.50	184.00 168.00
Aug	165.75	166.50	185.75 165.00
Sep	167.78	188.75	168.00 167.50
Oct	171.50	172.25	171.50 170.76
Nov	173.75	174.50	173.75 173.25
	175.76	176.50	176.00 176.00
Dec	175.75 178.50	176.50 177.76	176.00 176.00 177.00 178.25
Dec Jen			
Dac Jen Feb	176.50 176.25	177.76 177.50	177.00 178.25
Dec Ann Feb Turnover	176.50 176.25	177.76 177.50	177.00 176.25 176.25 176.00
Dec Jen Feb Tumover	178.50 176.25 10192 (11	177,76 177,50 9439 lots of	177.00 176.25 176.25 176.00

664 675 695 716 729 743 756 780 801 662 671 691 713 727 741 754 577 985 898 669 716 711 731 727 743 741 788 805 804 Turnover: 1674 (3197) lots of 10 toruses RCCO indicator prices (SUPIs per torus). Daily pric for Jun 14 698.43 (677.54) 10 day average for Ju 15 678.39 (880,78) COFFEE - London FOX Previous High/Low 907 892 922 910 925 515 926 915 905 Turnover: 2854 (1847) lots et 5 tonnes ICO Indicator prices (US cents per pound) tor Jun 11 Comp. daily 54.12 (58.08) 15 day everage 54.58 S/MINI Close Previous High/Low 93.20 94.10 100.50 101.80 100.5 100.0 Turnover 57 (32) lots of 20 tormes SOYAMEAL - London POX **Elicani** Cione Previous High/Low 145.80 . 145.80 \$10/Index point High/Low Previous 20 년 20 2 년 20 2 년 년 1463 1340 1325 1420 1475 1455 Wheet Close Previous HolyLow 136.50 136.00 108.50 108.50 108.25 111.15 111.50 113.55 113.30 115.65 115.30 136.00 106.60 108.40 111.15 113.55 115.55 Jun Sep Nov Jen Mer Mer 111.45 113.80 High/Low Close 104.50 107.55 108.75 104.75 112.25 111.65 113.40 Turnover: Wheet 447 (97), Barley 114 (2). (Cash Settlement) p/kg Close Previous High/Low 115.90 109.00 115.90 107.30

Leed (E per torne) Cash 257.5-8.0 5 morates 257.5-8.0 Mokel (5 per turne) Tin (\$ per torme) 5140/5075 817-8 935-6 LONDON BULLION MAINTE Prices supplied by N M Retrechic Gold (troy out \$ price Projectupe 3 365.50-366,00 365.50-365,00 365.00 365.35 366.10-366,50 363.60-364.00 Loco Lth Mess Gold Landing Rates (Vs USS) US ats equiv pritty ox 278.05 279.95 283.90 291.35 422.50 425.70 429.40 436.85 \$ price C equivalent 365.5-368.500 238.00-240.00 378.45-378.85 67.00-80.00 58.00-68.00 senioles (99.794) Puts Strike price \$ torms Aug Oct Aug Oct 1175 1200 Puts 115 91 70 1800 45 70 99 127 86 53 800 850 5 14 37 Cocos Sep \$50 875 **Brent Crude** Aug Dec Aug Dec -85 130

60,311 lote New York GOLD 100 troy oz.; F/troy oz 365.3 365.8 365.8 366.2 366.7 571.2 372.8 374.4 376.1 389.8 370.0 570.8 572.4 574.0 575.6 377.2 378.8 360.5 364.6 366.5 364.7 366.3 367.7 371.0 371.0 374.9 374.4 380.7 379.9 380.7 381.2 379.5 378.5 379.0 379.5 381.0 360.5 378.0 378.5 SELVER 5,000 tray az cents 421.2 421.8 423.4 424.8 429.4 430.0 433.8 437.2 440.2 443.6 428.2 428.5 430.4 431.9 436.5 437.1 440.9 444.3 447.3 423.0 431.0 433.0 438.0 5 442.0 430.0 444.5 446.0 82.50 82.60 83.00 83.15 83.40 83.55 83.65 83.80 83.20 0 83.60 83.60 83.96 18.75 19.13 19.43 19.53 19.70 19.75 19.81 19.88 18.89 19.25 19.50 19.63 19.72 19.79 19.85 10.89 19.91 18,74 19,09 19,37 19,51 19,64 19,73 19,81 19,80 19,95 19,92 18.60 19.00 19.30 18.48 19.58 19.65 19.78 19.81 19.85 0

HEATING OIL 42,000 US galls, cents/US galls Previous High/Low 52.35 53.00 64.10 55.20 56.25 57.25 57.90 52.45 53.10 64.30 55.35 60.38 57.35 57.86 57.80 56.80 55.60 53.00 54.05 55.05 56.20 57.20 57.75 52.60 53.80 56.02 56.10 57.10 67.76 Previous High/Low 850 885 926 967 991 1013 1036 1006 1108 854 888 928 972 895 1017 1041 1072 1109 860 885 935 976 996 1016 1039 850 884 923 987 994 1019 1038 1104 61.30 63.20 66.00 68.30 70.00 71.60 73.15 0 0 0 89.45 69.15 70.50 88.45 SUGAR WORLD "11" 112,000 lbs; can Close Previous High/Low 10.80 11.17 10.93 10.80 10.66 10.52 Jul Oct Mer May Jul Oct 11.15 10.93 10.82 10.66 10.52 11,12 COTTON 50,000; conta/lbr High/Lov 59.35 58.25 58.05 59.05 59.73 60.30 90.15 60.25 66.12 58.55 58.17 59.25 59.86 60.40 60.15 58.49 58.85 58.30 59.27 59.46 69.85 58.06 57.70 58.80 59.50 308/0 304/4 304/2 300/4 301/4 76.950 74.676 75.225 75.125 74.600 75.800 72,750 GE JUICE 15,000 lbs: pents.0 High/Low 107.40 110.65 113.25 115.25 117.00 104,55 107,75 110,80 112,40 108.90 112.00 114.75 116.00 118.50 114.50 114.00 115.00 116.00 116.00 117.25 Close 118.00 118.00 118.00 51,250 47,925 45,850 40,200 40,350 40,200 39,575 45,275 **BEDICES** REUTERS (Base:September 18 1931 = 100) Jun.15 Jun.14 moth ago yr ago 1850.2 1846.9 1676.3 1696.1 DOW JONES (Base: Dec. 31 1074 = 100) Jun.14 Jun.11 mnth ago yr ago 119.89 118.92 120.03 121.82

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	THE WAY	,000 bu min; o	Dents/806p bu	ahei
	Close	Previous	High/Low	
Jul	582/6	584/4	588/6	580/
Aug	580/4	582/2	566/4	578
Sep	577/0	580/6	584/0	576
Nov	577/0	581/0	584/4	676
Jan	585/0	566/6	590/4	682
Mar	580/0	594/4	597/D	500
May	594/4	566/4	600/0	594/
Jul	596/2	599/0	801/4	996
SOY	BEAN OIL	. 60,000 the; d	conta/fb	T .
	Close	Previous	Hgh/Low	
Jul	20.19	20.46	20.60	20.1
Aug	20.36	20.58	20.72	20.3
340	20.50	20.69	20.83	20.4
Oct	20.64	20.81	20.92	20.5
Dec	20.82	21.04	21.19	20.6
Jan	20.92	21.15	21.25	20.9
Mer	21.16	21.36	21.45	21.1
May	21.35	21.53	21,60	21,3
SOYA	BEAN ME	AL 100 tone;	\$/ton	•
_	Close	Previous	High/Low	
Jul	166.1	186.4	187.0	185.0
Aug	185.3	185.7	188.4	185.1
Sep	184.8	185.3	188.1	184.7
Oct	184.8	185.1	185.8	1840
Dec	166.1	785.8	186.4	184.5
Jen	185.2	185.7	186.1	185.0
Mar	185.8	185.0	185.7	185.5
May	186.9	187.2	187.6	188.5
MAIZ		min; cente/56	b bushel	
	Close	Previous	High/Low	
Jul Sep	212/6 218/6	214/4	215/4	212/4
Dec	226/4	220/0	221/2	216/4
Mar	234/8	227/0	228/5	226/0
May	239/4	234/8	236/0	234/0
Jul	243/2	239/6	241/4	239/2
Sep	241/4		244/6	243/2
Dec	241/6	241/D 240/2	242/4 242/4	241/2
MHEA	T 6,000 bu	min; cents/8(
				1 14
	Cicae	Previous	HIGHVLOW	
	281/0		High/Low	
Mi Sep Dec		265/6 289/4	287/0 290/4	280/2 284/0

301/0 300/0 301/0 LIVE CATTLE 40,000 lbs; cents/be Previous 78,900 74,660 75,150 75,075 74,800 75,800 72,625 77.900 75.475 75.575 75.625 75.226 76.250 73.500 LIVE HOGE 40,000 b; cents/ba High/Low

51.225 48.550 48.275 40.800 41.125 41.050 40.200 45.900 \$1,500 48,450 46,250 41,000 41,200 41,100 40,300 45,900 50,880 47,700 45,325 40,025 40,075 40,200 30,576 45,276

33,326 32,925 39,375 39,025 40,700 41,300 34.260 33.600 39.625 39.025 40.700 32,400 39,326

yts

16.81 12.70

20.30

23.32

28.43

THE UK SERIES

FT-A ALL-SHARE

1418.10 -6.40

30.18 40.91

19.51

17 00

15.16

40.61

17.23

Shares wilt as rate cut hopes fade

By Stave Thompson

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THE RECENT bout of strength in the UK equity market, which has seen the FT-SE 100 index bump up against the top of its trading range, the 2,900 mark, evaporated yesterday as dealers decided that share prices have been "overcooked" and that the scope for a further reduction in interest rates had diminished.

Another substantial cash call, in the form of a £220mplus rights issue from MEPC. the property group, was a further depressant on the market, as was a disappointing opening performance by Wall Street.

The more cautious view adopted by the market was further encouraged by remarks made by Mr Kenneth Clark, chancellor of the exchequer. His comments were read as indicating a determination to keep the hid on inflation.

Dealers signed off at the end of what was described as an uninspiring session seeking, but not generally expecting, encouragement on the direction of economic policy from Mr Clark, who delivered his first speech as chancellor at London's Mansion House

Stock prices settled around the day's lowest levels yesterday, although traders said activity continued to contract from recent levels.

The equity market kicked off

on a quiet note, with marketmakers opening prices around their overnight levels, encouraged by a good showing by Wall Street, and in spite of early news of MEPC's rights issue, the latest in a long line of cash calls from a property sector boosted by hopes of an early upturn and the recent intervention in the sector by Mr George Soros, the US

investment specialist.

4200 2,000 689 1,200 2,000 2,000 2,000 2,000 1,500 6,200 10,000

Fleoret Foreign & Cal. LT. ... Foriet

GRET GION Guinvest HESEC (75p eta): Hexannican 'A'

in evidence quickly evaporated in mid-morning as a deterioration in the Footsie future took the ground from underneath

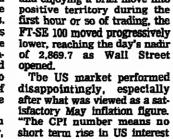
TRADING VOLUME IN MAJOR STOCKS

the cash market. The day's substantial batch of economic numbers, on industrial output and the Confederation of British Industry survey of distributive trades, provided little incentiva for a market seeking direction

What little early support was from the chancellor's Mansion House speech and awaiting the crucial May inflation numbers. "It now seems that there is

very little likelihood of a rate cut this week unless the inflation figures are very, very good indeed, and by that I mean no increase on the annual rate of inflation," was the view of one City economist.

Having started the session no more than a point easier,



and enjoying a brief move into

rates," was the emphatic view from a London trader in international stocks. Share prices showed no incli-nation to rally towards the close, however, and the FT-SE 100 finished a net 15.5 down at 2,870.0. And the market's overall disenchantment with the ever-diminishing rate cut story upset the highly resilient FT-SE Mid 250 Index, which

retreated from its all-time high to end 8.1 off at 3,205.1. Turnover in the market was a disappointing 512.3m shares, only marginally above Monday's 500.1m, which was worth a fraction above 21bn in cus-

Account	Pealing	Dates
*First Dealings: Jun 7	Jun 21	JM 5
Option Decleration Jun 17	Jul 1	Jul 15
Last Dealings; Jun 16	Jul 2	.bd 16
Account Day: Jun 28	Jul 12	Jul 28

Cash call upsets **MEPC**

THE latest in the property sector's tide of rights issues a call for £221m from MEPC took the shine off the sector, with the shares sliding in line with MEPC's, which fell 8 to 414p in a volume of 5.9m.

The company's one-for-five at 350p rights move was largely greeted with apathy by a sector which has now seen six major cash calls in three months. Mr Alan Carter at James Capel said: "We have come so far so fast and I think we are seeing a bit of tiredness setting in now. It is the last of the hig rights issues and had

been expected. Cash calls in property since March include Great Portland Estates (£95m); British Land (£132m); Hammerson (£199m); Brixton Estates (£100.7m) and Slough Estates (£147.3m).

MEPC's rights issue, which ooe analyst calculated will knock down the company's gearing from about 85 per cent to 70 per cent, is likely to make MEPC a prime candidate for inclusion in the FT-SE 100 when the index is reviewed in September.

A debt issue has not been ruled out by the company. Continued profit-taking in the sector also contributed to a downheat climate which saw British Land give up 8 to 303p. Among other property sector leaders, Brixton Estates lost 6 to 195p and Great Portland retreated 4 to 177p.

Waters wanted

The recently underperforming water sector staged a strong recovery as a number of

NEW HIGHS AND LOWS FOR 1993

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the market's big action funds began to switch out of some of the generators and regional electricity stocks and into the waters. There was also a widespread view among sector spe-cialists that the utilities' strong defensive qualities and the prospect of above average dividend increases in the next few years would provide strong underlying support for the

The water issues in the FT-SE 100 Index were the brightest performers, with North West Water following Monday's rise of 16 with a further gain of 9 to 462p. Anglian moved ahead 10 to 470p, Severn Trent 8 to 487p and Thames 3

Wessex Water's preliminary figures were at the top end of expectations, dealers said, triggering an advance of 12 in the stock to 570p. Welsh Water raced up 17 to 573p.

Manweb, the second of the "recs" to produce preliminary numbers, touched 526p before slipping back to finish unchanged at 522p. The com-pany topped East Midland's 14 per cent dividend, increasing its payment by 15 per cent.

Royal Ins placing

Shares in Royal Insurance declined 5 to 283p after the rump of the recent rights issue was placed by S.G. Warburg and Hoare Govett. With an 87.2 per cent take-up

of the issue reported, the outstanding 20.7m shares were successfully placed with institutions at 281p. The impact of the placing, along with general profit-taking, caused a retreat in the rest of the sector. Gen-eral Accident eased 4 to 579p, Commercial Union lost 6 to 589p, Sun Alliance closed 4 lighter at 357p and Legal & General relinquished 6 to 460p. Banking group Standard Chartered was the strong feature in banks after a recommendation from S.G. Warburg sent the shares 15 ahead to

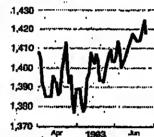
769p. Trading was, however, The recommendation came after Monday's meeting with several analysts and helped boost the stock that has underperformed the rest of the sector in recent weeks. The rest of the banking sector traded easier with the market. Lloyds

fell 4 to 570p.

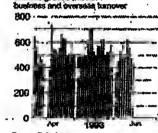
Another decline in crude oil prices continued to unsettle an oil sector already weakened by the uneasy peace agreed at last week's Opec meeting in Geneva. BP attracted a fresh wave of US sellers and settled 2% off at 307%p on turnover of 6.1m shares. Shell, despite the encouraging noises from Monday's investment presentation. eased to 624p. Enterprise Oil

dropped 9 more to 465p.
There was more downside pressure exerted on Zeneca where the £1.3bn rights issue closes next Monday. But dealers continue to take the view that the issue is safe; "it's a question of holding your nerve and waiting for the reward," was the view of one market optimist." Zeneca "old stock settled 11/2 off at 615%p on turn-

FT-A All-Share Index



Equity Shares Traded



over of 3.7m and the "new" nilpaids eased a penny to 16p with a hefty 6.2m shares traded. ICI, where the recent US buying support has dried

up, eased 2 to 705p. Fisons extended its recent strong showing, the shares moving up strongly to close a further 6% ahead at 168p on

heavy turnover of 5.5m. Guinness shares ended the day 6 lighter at 485p as the acceptance was announced of a management bny-out at the Sonth Wales based Crown Brewery. Volume was modest at 1.6m. Elsewhere other large brewers suffered knocks with Bass losing 3 to 475p; Allied Lyons giving up 6 to 539p and Grand Metropolitan losing 6 to

close at 413p. Increased talk of takeovers stalked broadcasting shares, moving Anglia Television up 12 to 329p; Central Indepen-dent ahead 7 to 1925p and Scottish Television up 3 to 486p. Reaction to its AGM state-

ment pushed down Ladbroke to 6% to 171%p in an average turnover of 8m. One analyst said that the statement was "a shade disappointing" although didn't see any deep-rooted problems with the leisure group while another maintained that the shares had beginning to find their level. Ladbroke is a large player in the DIY aggressive pricing bat-

tle and its statement revealed that its Texas Homecare chain

so far this year.

had fallen short of trade bopes

Airtours pushed up 2 to 325p

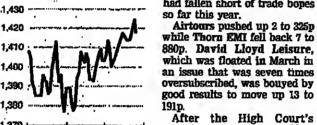
while Thorn EMI fell back 7 to

880p. David Lloyd Leisure,

which was floated in March in

good results to move up 13 to

After the High Court's



refusal to sanction Terry Venables' reinstatement as chief executive of Tottenham Hotspur the share price fell back another penny to 87p. It marks a slide of 7 in the stock, which is USM listed, since the board-

room battle between Venables and Alan Sugar resumed at the court last week. Confirmation by Coats Vivella that it has increased its holding in its Indian subsidiary from 39.9 per cent to 51 per cent pushed up its share price 5 to 231p in a volume of 1.6m.

iary which is renamed Coats Viyella India. Courtaulds followed the market down to close 3 lighter at 556p in a volume of L3m.

The Indian Government

granted permission for the

stake increase in the subsid-

Among engineers and aerospace, continued profit-taking left British Aerospace 7 lighter at 393p. Smiths Industries shed 3 to 357p following the completion of a big buying order on Monday. Vickers put on 4 to 140p powered by a recommendation from SG Warburg. The 84 per cent jump in profits at FKI had already been dis-counted by the market following the stock's strong performance for most of this year.

The shares eased 31/2 to 138p. A talk-to-the-investors session and positive comments from NatWest Securities enabled Unilever to push up 4 to 1048p with 2.6m shares traded. Share price buoyancy of the company, which is optimistic over its growth in East Asia, followed a strong showing on the previous day which had been triggered by a similar presentation in Amsterdam last friday.

Other gainers in food included Dalgety which moved up 6 to 456p albeit in thin trading, United Biscuits which put on 2 to 391p and Unigate which added 2 to 452p. One food analyst said investors were making tentative moves back to the sector. But the picture was

FINANCIAL TIMES EQUITY INDICES

	June 15	June 14	June 11	June 10	Jume 9	ago	" High	" Low
Ordinary share	2250.3	2262.9	2244.D	2238.5	2240.5	2037.6	2299.5	2124.7
Ord. die. yield	4.12	4.10	4.12	4.13	4.13	4.54	4.62	4.07
Earning yid % full		4.93	4.83	4.84	5.25	8.65	6.30	4.83
P/E ratio net	28.29	25.92	26.65	26,47	24.01	18.83	26.55	19.40
P/E radio nil	24.46	23.95	24.51	24.43	22.40	17.48	24.51	18.14
Redd Milmes	169.8	170.3	179.6	178.8	175.8	105.3	202.7	60.0
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London report and latest Share Index Tel. 0891 123001. Calls charged at 36p/mitrute cheap rate. 48p at all other times.

been overpriced and were now

	June 15	June 14	Jane 11	June 10	Jume 9	Year ago	" High	" Low
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P/E ratio net	28.29	25.92	26.65	26.47	24.01	18.83	26.55	19.40
P/E radio nil	24.46	23.95	24.51	24.43	22.40	17.48	24.51	18.14
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EQUITY FUTURES AND OPTIONS TRADING

STOCK INDEX futures gave up most of Monday's gains as hopes of a cut in interest rates faded, writes Joel Kibazo. The first trade in the June contract on the FT-SE 100 was struck at 2,895, Monday's closing level, and pointed towards

another strong session. However, a feeling that cuts in interest rates were unlikely this week led to selling of the

contract. It fell further as independent traders (also known as locals) went on the offer, and a poor gilts sector, which had helped to underpin Monday's rise, also played its part in increasing the down-

ward spiral. The release of better than expected industrial and manufacturing production figures had no significant effect on trading. In the afternoon it was a poor Wall Street opening that brought a further retreat in the June contract and the day's low of 2,872 was

seen at 3.80pm. June closed at 2,878, an 8point premium to the underlying cash market. Volume in the June future was 9,864 lots, while 4,508 were dealt in the September contract.

Business in the traded options remained uneventful, with volume only slightly improving to 25,510 contracts. Some 9,006 were dealt in the FT-SE 100 option, which sees its June expiry today. The Euro FT-SE option was also active and recorded a total of 2,689 trades. In the stock options, TSB led the way with

a total of 1,219 lots.

Volex was one of the best shares, which closed 32 higher

MARKET REPORTERS: Steve Thomoson.

patchy - Cadbury-Schweppes slid 2 to 463p in a volume of 1.5m; Tate and Lyle also moved down 2 to 384p; Sainsbury lost 2 to 484p in a small volume and Tesco also gave up 2 to end

performers in the electri-cals/alectronics areas of the market, the shares racing up 18 to 405p after the doubled profits. News that Quality Software, recently launched on the market, had won its first order for its Universal Olas systems. triggered a surge of buying interest in the company's

Christine Buckley.

Other statistics, Page 20

82 Banks(9) 85 Insurance (Life)(6) 1450.99 1438.99 1435.06 951.76 1985.80 644.80 1989.84 646.49 824.54 2013.34 646.32 66 Insurance (Compo -1.3 654,90 547.00 67 Insurance (compose 68 Insurance Broken(1) 68 Property(28) 70 Other Financial(23) 857,70 675.81 848.76 672.88 672.86 676.14 899.37 371,58 869.25 376.23 376.14 377.13 251.40 1513.69 1504.00 99 FT-A ALL-SHAFE(803) 1424.50 1414.64 18.00 11.00 12.00 13.00 14.00 15.00

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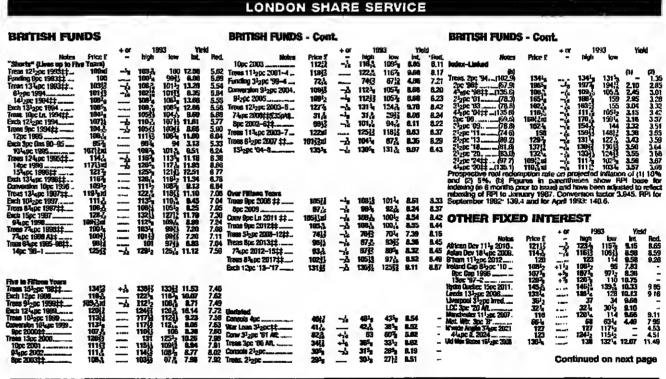
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Additional information on the FT-SE Advantage Share Indices is published United, One Southwesh Bridge, London SE; SHL. The FT-SE Advantage relating to these indices, is available from FINSTAT at the same address The increase in the size of the FT-Advantes AF-Shire Indice from January

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CROSSWORD

No.8,177 Set by VIXEN

1 Draw back from heartless fool in church (6) 1001 in church (6)
4 A social worker puts up with such beasts (3-5)
9 Recruit given directions by heel (6)
10 Taking a reading is a

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15 Study having to do with

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16 Better change this grater! (10)

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12 The head's about to hire (10) 19 He expects hard work to

23 Exercising some restraint, 18 To make a song about a Expect shut up (6) vehicle reversing can be A swimmer in pain and

beastly food set (6) leader as ordered (7)
29 They may wall leave one 22 Worrying Ulster issue (6)

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tla medicine at times (4)
6 Jocularity older people find
unacceptable? (8)
7 Inane make-up for a girl (5) 6 Bearing with a mad charac-ter causing smash (7)

(10) painter's equipment (7)
20 Pretty good entertainment (4)

17 Drink alone – that's not to be taken seriously! (6)

hurtful (8) 19 The very last thing ona stiffening (8)

27 Fell back – got up when questioned (6)

28 A club where thera's

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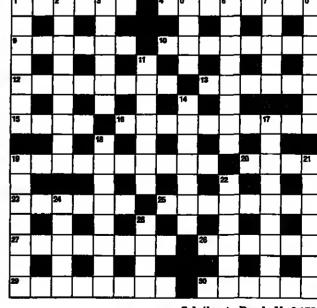
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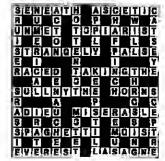
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Solution to Puzzle No.8,176



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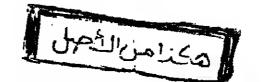
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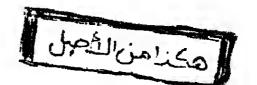
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Courts & Co

MONEY MARKET

Gaddum softens D-Mark

THE DOLLAR gained more than 2 pfennigs against the D-Mark yesterday after a Bundesbank council member hinted that there could be another cut in official German interest rates this week, writes James

in recent weeks, Bundesbank officials have been bawkish about the prospect of more monetary easing in Germany. because of fears of inflation, the weakness of the D-Mark and the growing German money supply. Indeed, the last easing in German monetary policy came more than a month ago, when the repo rate

was cut to 7.60 per cent. Yesterday, Mr Johann Wil-helm Gaddum, the directorate member responsible for credit market operations, changed the mood, saying that a slowdown in the pace of German money supply expansion could give the Bundesbank room to lower interest rates.

This was seen hy dealers as a strong indication that the M3 money supply figures might fall within the 4.5 per cent to 6.5 per cent target band set by the Bundesbank.
In the first four months of

the year, M3 expanded at a seasonally adjusted and annualised 7.0 per cent

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June 15	Latest	Previous Clase
E Spot	1.5215-1.5225 0.36-0.35pm 1.01-0.95pm 3.15-3.65pm	1.5265 1.5275 0.36 0.34pm 1.01 0 99pm 3.13 3.05pz
Forward premis	ums and discounts	apply to the L

CHLIR	ig lim	-
	June 15	Pre
	70.8	

8.30 9.00 10.00 11.00	am am am		79.8 79.7 79.7 79.7	79.4 79.4 79.4 79.4
Nonn 1 00	pm		79.7 79.6	79.4 79.3
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4.00	pen		795	79.4
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Jun 15	Bank &	Special ** Strawing Rights	Ebrupaso Carrero Unit
ering S Collar Station Sch Septian Sch	200 517 625 625 725 610 100	0.931501 1.42380 1.82460 18.2626 47 4908 6 82970 2.31640 2.59246 NAA	0 78644 1.20381 1.54148 13.7620 40.2074 7.48231 1.90560 2.19347 6.5827

2101.57 150.282 9 76584 177.277 10.2569 2,05891 NA 10.00 2.50 11.50 100 19

CURRENCY MOVEMENTS

Jun 15	Bank of England Index	Guaranty Changes %
Sterling	79.5	-30.11
U.S Dotter	63.9	-14,30
Canadian Dollar	93.5	-8,53
Austrian Schilling .	113.4	415.41
Seiglas Franc	114.7	+1.03
Danish Krone	117.2	+11.30
D-Mark	122.6	+30.11
Swiss Franc	111.4	+20.50
Dutch Guider	110.3	+20.34
French Franc	109.0	-6.96
Ura	82.6	-32,52
Yen	180.0	+122.88
Peseta	90.9	-30.70
		es; average

OTHER	CURREN	ICIES
Jun 15	£	0
Finland Greece	8.3490 - 8.3760 338.170 - 342.900 11.7675 - 11.7800 2474.00 - 2476.00 1214.50 - 1234.10	1.4780 - 1.4795 47410.0 - 47415.0 5.4690 - 8.4890 219.800 - 224.050 7.7280 - 7.7290 1622.00 - 1624.00 788.30 - 804.70 0.30030 - 0.30080 33.80 - 33.70

the D-Mark on the back of these comments. Initially, the dollar had weakened below DM1.62 after the US consumer price inflation data for May showed a monthly rise of 0.1 per cent against market forecasts of 0.2 per cent.

This underlined expectations that the Federal Reserve would not lean towards tightening short term interest rates to curb inflation. But Mr Gaddum's comments reversed the trend: the dollar peaked at DM1.6413, and cloved at DM1.6375, up more than a pfennig on the day.

The dollar's strength helped to reverse another strong per-formance by the yen in Tuesday's Asian trading.

The Japanese currency hit a post-war high of Y104.75 in Far Eastern trading. But this was seen as a strong technical resistance barrier, and the yen lost ground in the European

morning, dropping as low as in the European afternoon, Y105.88. the dollar rose sharply against

There were strong rumours in London that the Bundesbank and other European central banks were intervening on behalf of the dollar. But these could not be confirmed, and it was far from clear that it was in the Bundesbank's interests to support the dollar at the current time.

European currency trading was thin, although the D-Mark showed some signs of weak-ness at the start of the European day, dropping to minus 17 percentage points against its divergence indicator.

Sterling rose most noticeably against the D-Mark, boosted by a Confederation of British Industry survey which showed that retailers were more opti-mistic about husiness pros-pects over the next three months than at any time since February 1987. The pound closed at DM2.4925 from a previous DM2.4800.

	EDITOF I	AN CUR			
	Ecu Central Rates	Currency Amounts Against Ecu Jun 15	% Change from Captral Rists	% Spread vs Westerst Currency	Dhergance indicator
Portuguese Estado — Spanish Peseta — Irigh Puol Outon Guidder — Belgian Franc — D-Ularh Densin Know — French Franc —	192.854 154.250 0.809628 2.19672 40.2123 1.94964 7.43679 6.53883	188.266 149.598 0.802062 2.19347 40.2074 1.96580 7.48231 6.58428	-3.42 -3.62 -0.81 -0.15 -0.61 0.31 9.51 6.69	4.25 1.83 1.82 0.81 0.71 0.39 0.08	57 53 40 11 4 -10 -24 -34

Jun 15	Day's	Clase	One month	P.A.	These months	% p.a.
S	1.5200 - 1.5345	1.5215 - 1.5225	0.37-0.35cpm	284	1,01-0.98pm	2
enads	1.9450 - 1.9855	1.9470 - 1.9480	0.27-0.19cpm	1.42	0.48-0.32mm	a.
lemertands ;	2.7850 · 2.8050	2.7925 - 2.8025	4 PCTES	-1.07	2 405	-0.
leigtorn	51.00 - 51.25	51.15 - 51.25	2-7cds	-1 05	11-1809	-1,
Denimark 🚐	0 4875 - 9.5400	9.5275 - 9.5375	1 to 2 koredis	-2.66	37c-47eds	-1.
etro	1.0175 - 1.0240	1.0216 - 1.0225	0 08-0.12cms	-1.17	0.27-0.31ds	-7.
CIMISHY	2.4825 - 2.4950	24900 - 24950	4-12pids	-211	1-11/8053	-1.
bringsi	236.75 - 238.25	237.00 - 238.00	137-150cds	-7.25	386-419dis	-6.
Dala	189.90 · 191.00	190.00 - 190.36	103-113edia	-6.82	245-251da	-6.
My	2258.00 · 2267.25	2265.75 - 2266.75	7-94reds	-4.24	22-25ds	-4.
Uryelly	10,4775 • 10,5450	10.5350 - 10.5450	2-11-0000B	-1.00	1 %-2 % ris	-0
ance	6 3575 - 6.3925	8.3800 - 8.3900	14-15 cds	-188	27-33-05	-1.
weeden	11 0300 - 11.1250	11.1025 - 11.1125	24-340mms	-2.90	\$30-7089	-2
1000	180.25 - 161.75	16025 - 161.25	12-14 WOR	280	144-2000	2
chia	17.46 - 17.60	17.52 - 17.55	12-2120rods	-1.37	312-512de	-1.
brightshe	2.2150 - 2.2350	2.2225 - 2.2325	4-percom	0.67	(2-)4PM	O.
CU	1.2680 - 1.2780	1,2745 - 1,2755	8.21-0.25cds	-2.16	0.47-0.5348	-1.

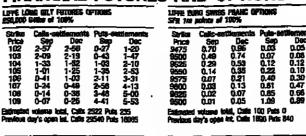
Jon 15	Oay's spread	Close	One month	#6 p.2	भागका विकास	* 22
uxt	1.5200 - 1.5345	1.5215 - 1.5225	0.37-0.35cpm	2.84	1.01-0.98pm	2.61
relandt	1.4880 - 1.5055	1.4905 - 1.4915	0.53-0.50cpm	4.14	1.44-1.39cm	38
concetts	1,2780 - 1,2820	1.2790 - 1.2800	0.14-0.17cms	-1.45	0.45-0.5Ddb	-1.4
tetherlands .	1.8180 - 1.8385	1.8370 - 1.8380	0.60-0.63c00	-4.02	1.60-1.65ds	-3.5
efalum	33.35 - 33.70	33.60 - 33.70	11.00-13.00cds	4.28	29.00-33.00de	-36
kengaark	6.2025 - 6.2700	6.2600 - 6.2650	2.65-3.15eredic	-5.56	6.50 -7.50ds	-4.4
ermany	1.5195 - 1.6385	1,6370 - 1,6380	0.63-0 84nfdla	-4.B6	1.76-1.78dio	-4.3
orancal	154.10 - 155.79	155.65 - 156.75	137-133cds	10.02	357-37564	-9.4
crain	124.00 - 125.25	125.10 - 125.20	96-102009	-9.59	252-259dig	-B.1
Day	14/4.75 - 1490.00	1488.75 - 1489.25	8.60-9 10Media	-7.13	24.50-25.5068	-8.7
JOLANSA	B.8550 - B.9300	6.8225 - 6.9275	1.85-2.40orents	-3.68	5.60-fi.40dis	-34
12008	5.4575 · 5.5125	5.5075 - 5.5125	1.95-2.05000	-4.36	5.58-5.73dia	-4.1
weden	7.2175 - 7.3025	7.2950 - 7.3000	3.20-3.80oredia	-576	B.30-9.30@3	4.8
1097	104.95 - 105.90	105.56 - 105.68	0.01db-0.01ypm	0 0	0.04-0.02pm	0.1
uptris)	17.4000 - 11 4875	11,4800 - 11,4850		1-4.13	9.95-10.80ds	-3.6
. bachastiw	1,4450 - 1,4636	1.4625 • 1.4635	0.24-0.27cds	2.09	0.55-0.60ds	-1.5
cut	1.1936 - 1.2056	1.1945 - 1.1955	0.50-0.49com	4.97	1.25-1.23pm	4.1

	-			-		
Just 15	Short	7 Days notes	One Mignifi	Three Manths	Six Manths	One Year
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dsa Franc	5 51	13. 51	54 54	54 54	12	412 4
Mark	712 - 712	712 - 712	73 - 74	754 - 75	74 74	61 6
ench Franc	74 - 75	78 78	732 - 732	7.4 - 7.5	7 6 65	611 67
les U4	12 - 10	104 - 8%	104 84	10 g . 84	104 - 84	102 - 91
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nish Krona	017 . 8	84 84	B15 - 814	B12 - 814	812 · Bl	712 . 74
ac \$Slog	34 - 24	314 - 214	312 - 212	312 - 212	312 - 212.	34 - 24
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			EA	CHA	W. F.	CH	733	MAI	E-3			
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			EX	CHA	NGE	CRO	SS	RAT	ES			_
June 18	3	0	DM	Yan	F Ft.	O Ft.	N PL	Lira	cs	6 Fr.	PM.	Ecu
Ē	1	1.522	2.492	160.7	8.385	2.227	2.797	2266	1.947	51.20	190.1	1,275
DW	0.657	1	1.637	105.6 64.49	5.509 3.365	1.463	1.838	1489	1.279 0.781	33.64 20.56	124.6 76.28	0.838 0.512
YEN	0.401 6.223	9.471	15.51	1000	5218	13.66	17.41	14101	12.12	318.6	1183	7.934
F Ft.	1.193		2.972	1913	10.	2.656	3.336	2702	2.322	61.06	226.7	1.521
6 Ft.	0.449		1,119	72.18	3.765	1	1.256	1010	0.874	22.99	85.36	0.573
O PL	0.358	0,544	0.891	57.45	2.998	0.798	1	610.2	269. 0	18.31	67.97	0.456
Lica	0.441	0.672	1.100	70.32	3.700	0.983	1.234	1000.	0.858	22.59	83.89	0.563
C	0.614	0.782	1,280	82.54	4.307	1.144	1.437	1164	1	26.30	97.64	0.655
6 Ft.	1.953	2.973	4.867	313.9	16.38	4,350	5.463	4426	3.803	100.	371.3	2,490
Pts	0.526		1.311	84.53	4.411	1.171	1.471	1192	1.024	25.93	100.	0.671
Eca	0.784	1.194	1_955	126,0	8,578	1.747	2,194	1777	1.527	40,18	149.1	7.
Yen per	1,000:	French	Fr. per	10: Lica	per 1.0	30: Belo	ian Fr.	per 100	Pegeta	per 10	D.	

FINANCIAL FUTURES AND OPTIONS



1.36 1.58 1.82 2.09 2.37 2.68 3.01 3.36

High Low Prex. 112-08 113-08 1

96.88 96.78 95.00 95.34

Hos Low Prey. 1.5248 1.5164 1.5194 1.5060 1.5030 1.5016

THREE-MONTH PIBOR FUTURES (MATTE) (Paris lotesback offered rate

1893.0 1890.5 1901.5 1912.0

CAC-40 FUTORES (MATIF) Stock Indus

OPTION ON LONG-TERM FRENCH BOND (MATE)

0.10

† All Yield & Open Interest figures are for the previous day

Latent 113-12 112-02 110-24 110-01 100-10 107-17 106-17 105-22 104-29 104-06

Dec 2.00 1.65 1.34 1.07 0.83 0.84 0.48

Sep 0.70 0.48 0.30 0.17 0.09 0.05 0.03 0.02

0.43 0.56 0.77 1.00 1.26 1.57 1.94 2.28

Sep 0.21 0.32 0.49 0.71 1.02 1.37 1.76 2.20

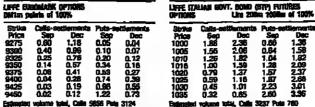
10w 96.48 96.02 95.92 95.80 96.29 94.86 94.78 94.58

91,489 150,950 9,671

STANDARD & POORS 500 NIDEX

11242

\$40 1.84 1.25 0.82 0.84 0.45 0.13



LONDON (LIFFE) 250,000 32mds of 100%

Estimated volume 30525 (23061) Previous day's open int. 70481 (6853)
ON NOTICEAL EXPENSES SOUT, BOND . DRC258,000 180ths of 100%.
Close High Low Sep 94.93 95.08 94.80 Dec 95.07 96.11 95.00
Estimated volume 71783 (72747) Previous day's open Int. 158978 (1593
6% NOTICIAL MEDICAL TERM BESINAL 80 BOND (NOBL) DM250,009 100ms of 100%
 Close Like I can

10% NUTIONAL SPANSK GOVT. BOND (BONDS) Pla 20m 1000m of 100%

Dec Estimat Previou	ed volume c day's ope	15 (0) an int, 11	(11)	30.10
	PORTE STREET			
Juni Sep Dec Mer Juni Est, Vei Previou	Close 94.08 94.17 94.22 94.03 93.71 (Inc. figs.	High 94.07 94.23 94.28 94.10 93.78 not show en int, 33	93,71 m) 54194	94.04 94.16 94.16 94.24 94.05 93.72 (21951) 4864)
THREE B	ONTE BURG	POLLAR		
Sep Dec Mar	96.54 96.11 96.01 95.70	High 96.56 96.10 95.95	96,48 96,03 95,94	Prev. 96.47 96.03 95.93 95.61

THORIES)	points of 18	MAARK "		
	Close	High	Low	Pnev.
Seo	93.30	93,30	93.23	93.26
Dec	93.89	93,90	93.81	93.88
Mar	94.29	94.29	94.23	94,27
Jun	94,43	94.43	94.36	94.43
Sep	94.41	94,43	94,36	94,43
Estimat Previou	ed volume e day's ope	74412 (7 na int. 50	75511 9969 (50)	3787)

Dec	93,70	93,68	93.64	93.64			
Mar	93,96	93,96	93.87	93.92			
Jun	94.02	94.03	93,93	93.98			
Estimat Previous	ed volume s day's ope	1827 (22 en inc. 16	1839) 1906 (180	47)			
	points of 1		RANG				
	Close	High	Low	Prev.			
Sea	85,42	95,44	95.36	95.40			
Dec	95.66	95.69	B5.60	85.63			
Mar	P5,61	95,83	95,73	95.76			
Jun	95,83	95,83	95,78	95.76			
Jun 95,83 95,83 95,76 95,76 Estimated volume 7374 (10143) Pravious day's open int, 32667 (32479)							

	100m polists			
	Close	High	Low	Pre
500	9 0,44	90.44	80.35	90,4
Dec	90,74	99.74	90,66	90.7
Mar	90.97	90.97	90.89	90.9
Jun	91.04	91.05	90.97	91.1

Jun	2877.0	High	2872.0
500	2896.0	2917.0	2890.0
Dec	2916.5	001120	1-00.0

Oec Estima Previou	2916.5 2916.5 ted volume as day's ope	2917.0 14372 (1 In int. 5	 293
_	acts tracked or		

POUND - DOLLAR	
ET Drockett Consumité pair	-

1-mb. 3-mb. 6-mb. 12-mb. 1.5184 1.5121 1.5035 1,4910

Coutts & Co ...

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MONEY MARKETS

Awaiting Bundesbank

SOME money market dealers yesterday moved towards the view that the Bundesbank could cut interest rates at its fortnightly council meeting

this week, writes James Blitz.
The D-Mark has remained soft inside the European exchange rate mechanism in recent days, adding to speculation that the Bundeshank might resist cutting interest rates, a move that would allow the currency to depreciate fur-

UK clearing bank base leading rate 6 per cent from January 26, 1993

But comments earlier this week from Mr Otmar Issing. the Bundesbank's chief economist, have led some dealers to think that the Bundeobank might ease monetary policy tomorrow for

the first time in a month. Mr Issing said that M3 money supply figures for May - due out this week - should fall inside the Bundesbank's target range, having badly overshot the parameters in April. The tone of the remarks contrasted with the hawkishness of his colleagues

earlier this month Moreover, there has been no overt hawkishness from the Bundesbank in the run-up to this council meeting. "If the Bundesbank were going to leave rates unchanged, you might have expected them to soften up the market first." said one dealer yesterday.

Yesterday's announcement that there will be a variable rate tender for funds over 14 days and 28 days gave no clues as to what the Bundeshank will do with the repo rate today. However, call money applied no pressure on the repo, the lowest accepted rate for which is 7.60 per cent. Call money was several basis points more expensive yesterday, at 7.85 per cent, as June tax payments started to drain funds from the market.

Euromark futures were bullish for rate cuts. The September contract closed at 93.30, up 4 basis points on the day, and pricing nearly 100 basis points off 3 month money in the next 12 weeks.

Sterling markets were quiet in anticipation of the chancellor of the exchequer's Mansion House speech

yesterday. The September short sterling contract dropped 1 basis point on the day, closing at 94.17. The June contract, which expires today, closed in line

with 3-month money at 94.06. The 3-month cash rate closed per cent softer at 5% per cent, following the swift desnatch of a £1bn sbortage in the discount market

FT LONDON INTERBANK FIXING (11.00 a.m. June 15) 3 months US dollars 6 months US Dollars

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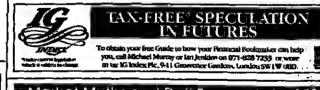
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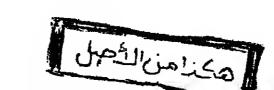


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More good inflation news fails to lift Dow

rule out the likelihood of an

interest rate rise by the Fed-

not persuade investors to buy

stocks. Concern about the

weak state of the economy, the

absence of a big, upward mov-

SAO PAULO was 4.6 per cent higher in midsession trading

as investors reacted positively

to the austerity measures

announced by the Brazilian

government on Monday night. The Bovespa index was 2,083

News that the government

would speed up the sale of its

power utility system lifted Ele-trobras by 11.5 per cent.

stronger at 47,246.

The good news, bowever, did

ANOTHER batch of good news on inflation failed to lift stock market sentiment yesterday as equity prices eased slightly in rick Harverson in New York. At 1 pm, the Dow Jones industrial average was down 9.13 at 3,505.56. The more

dard & Poor's 500 was 0.74 lower at 446.99, while the Amex composite was down 0.11 at 435.07, and the Nasdaq composite up 0.98 at 697.39. Trading volume on the NYSE was 134m shares by 1 pm.
After last week's promising

May producer prices report, which suggested that inflationary pressures in the economy were not as strong as originally feared, dealers and investors were hoping that yesterday's May consumer prices data would prove a similar source of comfort.

In the event, the numbers were encouraging the Labor department said that the consumer price index rose by only 0.1 per cent last month, and that the "core" measure of prices (which excludes the volatile food and energy components) was up by 0.2 per cent. The figures were slightly bet-

ein bond prices, and a sharp decline in 1BM shares may have been behind the markets' poor performance. At one stage the Dow was down by 20

points, before recovering.

IBM fell \$1% to \$50% in volume of 1.7m shares after Salomon Brothers warned that there might be further writeoffs at the company, which could lead to IBM halving its

Eastman Kodak, which rose sharply on Monday in anticipation of a big announcement from the company, dropped \$%

ter than forecast, and probably to \$53% in volume of 1.8m shares after it revealed plans to spin off its Eastman Chemi-

Heinz fell \$1 to \$36% after announcing a \$192m pre-tax restructuring charge for the fiscal fourth quarter, which depressed after-tax earnings for the quarter to \$69.7m, down

Reebok plunged \$51/4 to \$29 in busy trading as investors reacted negatively to the company's warning that its second quarter earnings will come in

TORONTO was strong in precious metals in otherwise steady midsession trading. The TSE-300 index was 2.13 higher at 3.874.29 in volume of 26.5m shares valued at C\$271.2m Declines edged advances by 291

The precious metals index was up 90.83, or 1.1 per cent at 8,097.81, defying a slide in Comex gold futures which had weakened after lower than expected US consumer price

ASIA PACIFIC

Tokyo falls back 1.7% as the yen continues to rise

A STALEMATE over the government's political reform policy, compounded with a furtber rise in the yen, dis-couraged investors, and the Nikkel average fell 1.7 per cent on selling by margin traders and investment trusts, writes Emiko Terazono in Tokyo.

The 225-issue average ended 351.47 off at the day's low of 20,045.88, having registered a high for the session of 20,393.23 in the morning.

Volume was 350m shares, against Monday's 261m. Sales were spread across the board. with declines overwhelming advances by 1,037 to 73, with 61 issues unchanged. The Topix index of all first section stocks dipped 39.58 to 1.619.88, and in index shed 2.45 to 1.216.32.

The dollar closed at a new low of Y105.03, down Y0.17, after briefly falling below Y105. Active buying by the Bank of Japan, bowever, supported the dollar. Traders said a fall of the Nikkei through 20,000, due to a further rise in the yen, would heighten calls for a cut in the

official discount rate. investors turned sellers as uncertainty over the passage of the political reform bill intensified, prompting fears that Mr Kiichi Miyazawa, the prime minister, who vowed political reform, would be forced to resign. Concern that such developments might affect the economic planning ability of the government unnerved

Exporters continued to face selling. Toshiba lost Y24 to Y690, NEC Y15 to Y985 and Toyota Motor Y70 to Y1,570. Banks, which had been recent gainers on speculation of an imminent interest rate

Industrial Bank of Japan declined Y100 to Y2,940, while Sumitomo Bank receded Y70 to

Other interest rate-sensitive issues were also down, with Nippon Steel, the day's most active issue, losing Y13 at Y392 and NKK slipping Y10 to Y323. Nippon Telegraph and Telephone fell Y13,000 to Y946,000

three retailing affillates, dropped Y90 to Y1,060.

ground, with the sector, the

ume of 18.5m shares.

The Hang Seng index fin-ished 16.72 firmer at 7,283.46 after climbing 81 points early in the day. Turnover was moderate at HK\$4.3bn.

fifth consecutive session, the composite index losing 1.63 to 757.84, off the day's high of 761.63. Turnover contracted to

losses to end moderately higher on cautious bargain hunting after recent falls. had dropped more than 25 noints in early trading closed

is closed June 14: Australia and Hong Kong. Latest prices were unavailable for this edition.

over shrank to T\$10.2bn. MANILA fell back as many investors awaited imminent new public listings. The com-

on margin selling.

Daiel, the country's largest supermarket chain, which announced plans to absorb Securities companies lost

top loser of the day, down 3.9 In Osaka, the OSE average fell 558.13 to 22,376.46 in vol-

Roundup

AMONG THE region's markets profit-taking was much in

HONG KONG closed slightly higher as afternoon profittaking trimmed early gains, with the market awaiting news from Sino-British talks in Beijing on the colony's political

SEOUL slipped back for the

TAIWAN reversed early The weighted index, which cal subsidiary.

from \$145.7m a year ago.

well below market estimates.

Tiffany jumped \$3 to \$31% on the news that it will assume marketing and merchandising for 29 stores currently operated in Japan by Mitsukoshi.

posite index lost 12.85 to 1,568.42 in turnover of 202.6m KUALA LUMPUR continued to decline, the composite index shedding 3.74 to 739.42. Volume was 494.8m sbares, against Monday's 811.9m. In SINGA-

PORE the Straits Times Industrial index weakened 23.00 to AUSTRALIA traded in a tight range in spite of a weaker gold builton price. The All Ordinaries index put on 9.7 at 1,724.0 in A\$45.5m turnover. NEW ZEALAND was led

higher by an 8-cent gain in Fletcher Challenge to NZ\$2.74. The NZSE-10 index advanced over of NZ\$19.0m. BANGKOK was mixed as investors sold major property shares to take profits. The SET

index gained 2.93 at 871.17 in

active turnover of Bt6.42bn. Krung Thai Bank, whose Bt10 par shares will start trading today, rose Bt10 to Bt396 and was the most active stock. BOMBAY fell sharply on reports that a stockbroker at the centre of the country's big-gest financial scandal had offered to turn state's witness to testify about possible pay-

SOUTH AFRICA

2,289.13.

INDUSTRIAL shares gained ground in late trading on futures-related buying and the index improved 39 to 4,629. The golds index advanced 33 to 1,595 and the overall index 28 to 3,932. De Beers rose 50 cents to R77.50.

offs to leading politicians. The

BSE index declined 68.41 to

Catastrophes enrich the top reinsurers

Shares in Munich Re and Swiss Re have put on speed recently, writes Richard Lapper

B uoyed by tightening capacity and rising reinsurance premium rates, Munich Re and Swiss Re. the world's first and second biggest reinsurance companies, can look forward to a period of rising prosperity. Their shares have surged ahead strongly in recent months.

On past experience the "turn" in the insurance cycle augurs well for the reinsurers. Between 1984 and 1986, the last time reinsurance rates rose significantly, the share prices of Munich Re and Swiss Re dou-bled relative to their local stock markets and tripled in

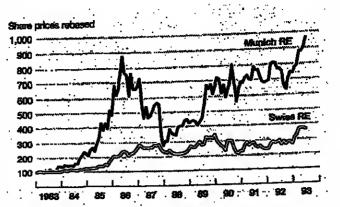
With the reinsurance market in a similar state of buoyancy today, reinsurers could be embarked on a similar bull run. Underpinning the upturn is a fall in the capital committed to reinsurance markets, following a sharp growth in the frequency and cost of natural catastrophes. The cost of major storms in the 10 years between 1983 and 1992 escalated to \$52.1bn compared with \$18.9bn between 1980 and 1989.

The failure of many Lloyd's syndicates and smaller London markat companies - which acted as "reinsurers of last resort" - has reduced drastically the supply of high level leading to cumulative rate s of up to 800 per cent for high level catastrophe reinsurance over the past four years, and more moderate rises across the board.

Messrs Michael Huttner and Angus Runciman, analysts with BZW Research, estimate that capital available to back reinsurance premiums has fallen by some £4.8bn over the last three years. "The hard market," BZW predicts, "will be sustained for the next three The collapse of the London

market has led to a "flight to quality" by buyers seeking greater security from reinsurance companies. BZW expects bigger companies to dominate "two-tier market", with the market share of the world'e top 15 reinsurers winning

market share at tha expense price of SFr2,322.50. of smaller competitors.



Reflecting these new market conditions, shares of reinsurers have begun to rise strongly. Last month the share price of Munich Re'a registered stock reached DM3,220, an increase of more than 30 per cent from their 1992 average of DM2,510 and in excess of 50 per cent from their 1992 low of DM2,065. The price of Swiss Re's registered shares touched SF13,100 in mid-April, nearly 50 per cent above their 1992 average

Analysts are almost uniformly bullish. Mr Tom Bennett, of Paribas Capital Markets, says that following its strong performance in recent months, Munich Re has a further dimension as a heavily discounted investment trust, with its net worth of more than DM5,000 per share based largely on a strong portfolio of German equity investments. BZW suggests that "Munich

Re . . . would probably ontsurvive its competitors in the event of the worst possible event (for the reinsurance mar. kets), a Tokyo earthquake" and also recommends investors in buy SCOR, the smaller French reinsurance company, as well

Mr Peter Constable, an ana lyst with Flemings Research also favours Swiss Re, which has recently refocused on to its core reinsurance business, ich lowing an ill-fated diversifica tion into service companies in the 1980s. He says the company will be

a major beneficiary from recent rate increases. But with foreigners still unable to buy the company'e registered shares, and bearer shares thin on the ground, Mr Constable recommends that large investors buy participating certificates issued by the company.
Mr Constable, however,

eonnds a cantious note on Munich Re. He says the company's results in the past two years have been supported by a release of provisions in 1996 and 1991 and by "abnormally large" realised gains in 1991

Milan shaken by more Ferruzzi shock waves

SENIOR markets were weaker yesterday as Wall Street opened easier, writes Our Mar-

MILAN continued to be Ferruzzi group companies, while the end of the June account today also exerted a negative influence as the Comit index lost 14.07 to 513.37.

An additional burden was placed on the Ferruzzi group following Monday's postbourse announcement of a L1,058bn, two-for-one rights issue from Fondiaria, the country's third largest private-sector insurer.

Fondiaria is controlled jointly through the Gaic holding company by Ferruzzi and the family of Mr Camillo De Benedetti, who died earlier this year. It closed L2,742, or 10 per cent lower at L24,101 while Gaic was suspended to the end of the session after it, too, fell by some 10 per cent.

Some analysts noted that since neither Gaic, nor the debt-iaden Ferruzzi are in a position to subscribe, the underwriting banks - Mediobanca, BCI, Banca de Roma, Credito Italiano and San Paolo - would be left with effective control of the insurer.

Ferruzzi down L68.80 at L593.50 while Montedison, which is reported to be about to dispose of its Himont and Ausimont subsidiaries, settled at L779, down

FRANKFURT eased back, wary of the Bundesbank meeting tomorrow and the "triplewitching" closure of DTB options contracts on Friday. The DAX index fell 7.88 to 1,684.10 in turnover reported to be lower than Monday's DM5.9bn.

The DTB effect was suspected in the performance of Commerzbank, which rose by DM4 to DM303.50 against the market and against the sector - Deutsche Bank fell DM4 to DM695.50 - and traded in 400,000 shares, four times its usual volume on Ibis, the German screen-based dealing sys-

in retailing, Karstadt and Kaufhof underperformed the market. Mr Roland Wren, a dealer with James Capel in

FT-SE	Actu	aries	s Sh	are	Indi	ces		2.74
Jame 15 Hourly changes	Open	10.30	11,00	12.03	13.00		UROPEA 15.00	N SERIE
FT-SE Eurotrack 100 FT-SE Eurotrack 200	1175.56	1174.74	1174.13 1230.69	1173.21	1173.97	1173.59	1173.69	
	Jun	14	Jun 11	Jun	ie 10	Jume	9 J	ume 8
FT-SE Eurotrack 100 FT-SE Eurotrack 200	1181 1234		1181.85 1232.37		31.45 30.25	1181.5		68.70 218.08

Frankfurt, said that both had climbed recently on surprisingly good results, but that this was now old news and investors were coming back to the study of cyclicals in the bone that German recovery prospects will be a talking point after the summer.

PARIS eased back in technical trading and light turnover as the CAC-40 index finished down 18.98 at 1,897.86. Turnover was some FFT1.9bn. The oil sector was weak, in line with falling crude prices, with Elf down FFr5.80 to FFr377.80 and Total losing FFr2.20 to FFr263.00. Michelin slipped FFr3.50 to

FFr144.00 on profit-taking after a recent strong performance. while Pengeot was off FFr17 to FFr510 as investors began to anticipate bad news at next week's annual meeting.

MADRID advanced, mostly late in the day, to its fourth consecutive gain following its losses on the Socialist election

victory. The general index closed 1.40 higher at 259.89 in

turnover of Pta16.5bn. Mr Peter McGahan of Schroder Securities said that a major Spanish bank executed some fairly large UK orders for banks, and Repsol. BBV rose Pta50 to Pta3,115 and Repsol Pta65 to Pta3,290.

ZURICH extended its period of profit-taking, the SMI index falling another 20.2 to 2,274.0. Nestlé lost SFr9 to SFr1,092, SBC SFr7 to SFr383 in a weak banking sector and, elsewhere in financials, Swiss Re dropped

SFr100 to SFr3,050.

AMSTERDAM rose modestly, helped by DSM'a Fl 2.00 gain to F188.20 on recent positive comment for cyclical stocks. However, Hoogovens, which

has a done well over the last few days, lost FI 1.30 to FI 32.40 as some investors decided that it was time to take profits. The CBS Tendency index Another strong performer was Fokker, up Fl 1.10 to

F1 15.90, after announcing orders for new aircraft. STOCKHOLM rose on US buying with the financial sector gaining 4.8 per cent and the Affärsvärlden general index 5.50 to 1.075.70.

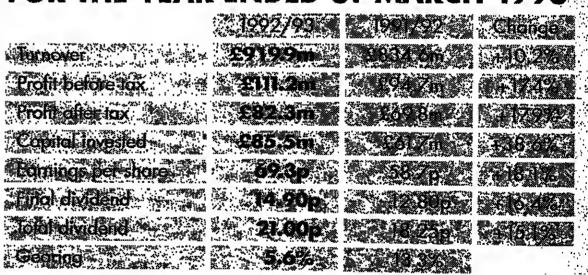
TEL AVIV reversed a sharp two-day decline after the Israeli prime minister, Mr Yilzhak Rabin, quashed rumours that the government would soon impose a capital gains

The Mishtanim blue chin shares index jumped 5.77; or 29 per cent to 202.43 in turnover

ISTANBUL failed to break through the 10,000 level as the index closed 43.69 higher at 9,804.36 with investors continuing to react positively to the appointment of Mrs Tansu Ciller as prime minister.

SHARING THE BENEFITS

PRELIMINARY RESULTS FOR THE YEAR ENDED 31 MARCH 1993



HIGHLIGHTS

- Pre-tax profits increased to £111.2m
- 15.1% increase in total dividend
- 1% reduction in prices from July 1993
- 1% volume growth in electricity distributed
- £85.5m capital investment as planned ■ Improvements across a wide range of customer services

Chairman, Bryan Weston, said

"We have had another excellent year in which the financial performance of the Campany has been strengthened. The benefits of our achievements will be shared between aur sharehalders wha will receive an încrease an their dividend and aur customers wha will have electricity prices cut from July. We have invested aver £85 million in the business with the results caming through în impravements acrass a wide range af custamer services."



The Company's Annual Report will be sent to all shareholders in early July. Copies are available from the Campany Secretary, Manweb pic, Sealand Road, Chester CH1 4LR. For share price information call our Shareholder Helpline on 0839 500543.

Calls at peak rates will be charged at 48p per minute and 36p per minute at any other time.

FT-ACTUARIES WORLD INDICES

Jointly compiled by The Financial Times Limited, Goldman, Sachs & Co. and NatWest Securities Limited in conjunction with the Institute of Actuaries and the Faculty of Actuaries

NATIONAL AND REGIONAL MARKETS			MC	NDAY J	INE 14 1	983				FRIDA	JUNE 1	1 1993		DOL	LAR IND	EX
Figures in parentheses show number of lines of stock	US Dollar Index	Day's Change %	Pound Sterling Index	Yen Index	DM Index	Local Currency index	Local % chg on day	Gross Div. Yield	US Dollar Index	Pound Starting Index	Yen Indiax	OM Index	Local Currency Index	1993 High	1893 Low	Year ago (approx)
Australia (68)	132.91	-0.8	129.01	88.30	112,22	131.10	+0.0	3.82	134.04	130.27	89.86	113.28	131.10	144.18	117.39	148.6
Austria (18)	149.24	+0.7	144.85	99.15	126.00	125.99	+0.8	1.56	148.15	143.98	99.32	125.20	124.96	150.96	131.18	175.3
Belglum (42)	145.84	+1.0	141.55	96.88	123.14	120.13	+0.8	4.78	144.40	140.34	96.79	122.03	118.12	156.76	131.19	144.2
Canada (108)	127. 29	+0.3	123.54	84.58	107.46	118.12	+0.4	2.85	126.90	129.33	85.07	107.24	117.62	129.97	111.41	127.9
Denmark (33)	217.84	+0.2	211,24	144,59	183.75	183.67	+0.3	1.23	217,18	211.07	145.89	183.54	183.14	225.84	185.11	239.3
Finland (23)	90.09	-1.1	87.44	59.86	78.07	102.75	-1.3	1.18	81.08	88.50	81.05	76.95	104.15	100.92	65.50	78.2
France (97)	156.66	-0.3	152.05	104.07	132.26	134.17	-0.2	3.35	157.13	152.71	105.33	132.78	134.45	167.36	142.72	181.1
Germany (62)	114.17	+0.6	110.61	75.86	96.39	96.39	+0.5	2.20	113.45	110.26	76.06	95.87	95.87	117.10	101.59	124.8
Hong Kong (55)	296.18	+0.0	287.48	196.77	250.08	293.88	+0.0	3.21	296.20	287.87	198.56	250.33	293.88	301.61	218.82	
reland (15)	163.35	-0.4	158.54	108.52	187.92	153.39	-0.2	3.52	164.08	159.46	109.99	138.66	153.77	170.40		245.1
taly (73)	68.61	-0.4	66.59	45.58	57.92	75.68	-0.5	2.24	68.85	66.91	48.15	58.18	76.05	72.82	129.28	158.9
Japan (470)	155.86	+1.0	151.37	103.61	131.89	103.61	+0.0	D80	154.49	150.14	103.56	130.57	103.56		53.78	70.2
	349.34	+0.6	339.07	232.08	294,95	344.90	+0.4	1.96	347.14		232.70	293.38		155.96	100.75	100.8
Mexico (18)			1395.90		1214.28	4907.58	-0.4	1.38		337.37 1401.76	966.88	1218.91	343.86	349,34	251.86	241.9
Netherland (24)	170 26	+0.4	165,25	113.11	143.76	141.51	+0.5	3.89	189.65		113.72			1725.81	1410.30	1589.3
New Zeeleed #191	48.77		47.33	32,40	41.18	47.69				164.88		143,37	140.81	172.75	150.39	163.8
New Zealand (13)		-0.5			129.25		-0.5	4.65	49.01	47.63	32.86	41.42	47.93	49.82	40.58	46.1
Norway (22)	153.09	+0.3	148.58	101.70		142.80	+0.4	1.85	152.62	148.33	102.31	128.98	142.26	168.21	137.71	183.5
Singapore (38)	256.13	-1.0	248.60	170.15	216.25	189.97	~1.0	1.81	258.67	251.40	173,41	218.60	191.86	262.72	207.04	229.6
South Africa (60)	192.18	~1.7	186.51	127.66	162.24	194,87	-1.3	2.58	195.48	169.99	131.04	165.20	187.18	201.01	144.72	238.6
Spain (46)	130,15	+0.1	126.32	85.47	109.88	122.75	+0.1	4.86	130.02	126.36	87.18	109.87	122.58	132.82	115.23	153.5
Sweden (36)	177.55	-0.7	172.33	117.96	148.91	189.91	-0.4	1,77	178.63	173.80	119.88	151.13	190.67	184.06	149.70	196.5
Switzerland (52)	128.47	-0.4	124.70	85.36	108.48	115.41	-0.5	1.89	129.01	125.38	86.49	109.04	115.94	129,36	108.91	108.1
United Kingdom (219)	179.12	+0.9	173.85	118.99	151.22	173.85	+0.8	4.00	177.54	172.54	119.00	150.02	172.54	181.99	162.00	193.1
JSA (519)	182.86	+0.1	177.48	121,49	154,40	182.86	+0.1	2.80	182.64	177.50	122.44	154,35	182.64	188.27	17S,38	167.0
urope (762)	147.11	+0.4	142.79	97.74	124,21	134.83	+0.3	3.30	148.55	142.43	98.24	123.86	134.38	149.02	133.92	153.7
Vorafic (114)	165.49	-0.5	160.62	109.94	139.72	156.83	-0.3	1.59	166.26	161.59	111.46	140.51	157.28	171.77	142.13	181.2
Pacific Besin (713)	159.07	+0.8	154.39	105.68	134.31	110.18	+0.0	1.06	157.79	153.35	105.78	133,35	110.14	159.07	105.89	107.3
uro-Pacific (1475)	154,05	+0.6	149.52	102.34	130.06	120.87	+0.2	1.94	153.06	148.76	102.60	129.35	120.69	154.05	117.26	
Vorth America (627)	179.40	+0.1	174.12	118.20	151,49	178.45	+0.1	2.80	179.17	174.13	120.12	151.44	178.21	182.38		126.0
		+0.0	123.52	84.56	107.47	112.85	+0.0	2.82	127.22	123.64	85.30	107.53	112.79	128.65	171.51	164.5
Europe Ex. UK (543)	127.26														112.51	130.0
	190.30	-0.3	184.70	126.44	160.69	175.92	+0.0	3.13	190.79	185.42	127.92	161.25	176.00	194,08	152.70	171.5
	154.27	+0.6	149,74	102.50	130.26	122.83	+0.1	1.97	153.36	149.05	102.62	129.61	122.66	154.27	118.51	128,3
World Ex. UK (1961)	161.24	+0.4	156.50	107.13	136.15	136.15	+0.1	2.10	160.65	156,13	107.70	135.79	138.06	161.34	134.22	135.4
Norld Ex. So. Af. (2120)	162.74	+0.4	157,98	108,13	137.42	140.96	+0.1	2.28	162.04	157.48	106.63	136,95	140.76	162,74	137,29	139.7
	168.50	+0.2	163.55	111.96	142.29	162.16	+0.2	298	168.23	163.49	112.78	142.18	161.88	170.05	157.47	162.6
he World Index (2180)	162.83	+0.4	158.04	108.18	137.49	141.43	+0.1	2.28	162.15	157.59	108.70	137.04	141,24	162.68	137.32	140.4

TELECOMMUNICATIONS IN BUSINESS Wednesday June 16 1993

n assessing their telecoms needs

and outgoings, never has it been harder for companies to keep

track of costs, competition and the potentiality of new technology.

UK companies have a tougher job than most. Britain's telecoms sector, already at the head of Europe's com-

- 5.5 p (5.14)

1.00





is improving and for most users the

prices are often those from new

entrants re-selling leased lines and

connecting them to private net-

works. A telling case study is the

rise of Worldcom, a London-based

company plying the international re-

sale trade for the 18 past months. It

now has more than 100 customers

and expects to have "a few thou-

sand" by next year. Its rates are highly competitive with BT and Mer-

cury, particularly for transatlantic

traffic - and according to the Tele-

communications Users' Association,

there have been virtually no com-

in the fixed-line business, the best

cost works out at about £100 a line.

Opportunities galore

The UK telecoms sector, already Europe's most competitive, is about to engage in a further bout of price-cutting and aggressive marketing, writes Andrew Adonis

petition league, is about to engage in a further bout of price-cutting and "smart boxes" can take the pain out of call-by-call and day-to-day deciaggressiva marketing aa new entrants establish themselves and established telecoms compasions on users. In the mobile market, nies - not just the giant BT, but Mervery favourable deals on offer from cury and the two mobile operators new antrants with restricted net-Cellnet and Vodafone - fight to keep works - such as, in the London their volumes and profits. region, those of Hutchison Telecom and Mercury One-2-One - could make it worthwhile for companies to in telecoms, sorting the wood from the trees is made extraordinarily difficult by the thick haze of acronyms patronise more than one company, and jargon obscuring the route at or even to give employees two portahle handsets. every turn. It is not just new tech-

nology: as competition intensifies, so does the complexity of tariff struc-The majority of PABX systems sold today either come with or are compatible with least-cost routeing tures and the range of options and services on the market. software. For those without it, but For the finance director of a small with compatible systems, installaor medium-sized company, who has tion typically costs about £300. to do the phones, the balance sheet equipment is more expenand the contract cleaning, bewildersive and less reliable, but reliability

ment is increasingly common. Fortunately, a few rules of thumb will go a long way. First, virtually all agree that prices have further to fall - in both the fixed-line and mobile markets. Because much of the pressure for price reductions in the US and UK is likely to come from new entrants, look carefully at anything they have to offer - once you have checked the respectability of their operating credentials. One simple test is: did their directors previously work for one of the big telecoms companies?

Second rule of thumb: don't think you need to stick with just one or two suppliers. For most business users, least-cost routeing software or "plaints about reliability.

Worldcom is about to lease lines to Manchester, Birmingham, Heathrow and Glasgow, making it economic for non-City of London companies to link up with the operator. It also has a public network operators' licence pending, if it secures one, it will be able to route calls over BT's network, giving it a strong appeal even to smaller companies.

At the other end of the fixed-line market, the cable TV companies - many of them with US parents anxious to learn the TV trade from which they are barred at home - are fast establishing local telephone networks which could soon challenge BT in conurbations. The cable TV franchise operators

currently have only 160,000 telephone subscribers, and some made a shaky start. They also suffer from the absence of number portability - an issue before Oftel, the industry regulator - which makes it hazardous for companies to sever all connection with BT. But the cable companies are still in the early stages of construction: once they have reached the 15m in their franchise areas, BT's virtual monopoly of the local network will be under serious threat. In the US, MCI, the second-largest operator, now has about 18 per cent of long-distance traffic. In the UK. BT has ceded nearly 10 per cent of the market - and half or more of all outgoing traffic from the City of London - to Mercury.

Another two IIK national networks are under construction, Ionica, a private Cambridge-based company, is building a radio-based network for launch in early 1995. Energis, a subsidiary of National Grid, is wrapping fibre-optic around its pylons and is promising a price war with BT and Mercury as early as next spring, with a network con-necting 17 of Britain's leading towns and cities. Energis will have to interconnect with BT to convey its calls the "last leg" but the cable companies offer the medium-term prospect of avoiding BT even in much of the local loop.

t is the same story in the UK mobile market, where the huge margins of Vodafone and Cellnet are coming under sustained assault. Hutchison's Rabbit "telepoint" service may lack the flexibility of Vodafone and Cellnet but at 20p a peakrate minute inside the M25 its tariffs are less than two-thirds their standard rates. Mercury One-2-One is currently testing its PCN mobile service; It plans to launch it within the M25 this summer with a peak rate as low as 160 a minute and an access charge for high-volume users of about £20 - although One-2-One handsets will cost slightly more than the cheapest on offer from Cellnet and Vodafone.

With One-2-One's PCN network due to cover 24 per cent of the popu-

lation by April 1994. Vodafone and Cellnet can ill afford to sit by for long without cutting their tariffs. So the fire alarm mentality of existing mobile users ("break seal to use") could soon be a thing of the past. For most companies, getting the best price for existing services is a more pressing priority than high-flown debates about the virtues of national optical-fibre networks.

familiar with the main telecoms trends. Among those covered in the survey, two stand out; the development of "outsourcing" and the growth in value-added services. At its most basic, outsourcing is the contracting out of part or all of a company's telecoms network-facilities management to a telecoms carrier. It is of particular appeal to companies anxious to modernise existing private networks, and to multinationals looking for "one-stop-shop"

Yet so rapid is the speed of change

that to plan even for the next two or

three years companies must be

worldwide telecommunications Learning from US experience, in the UK both BT and Mercury are bidding for domestic outsourcing contracts via facilities management units. BT is also seeking to carve out a role for itself in the global outsourcing market through a new \$1bn joint venture with MCI launched earlier this month, which will eventu-

arrangements to cater for their

pean operators have been slower off France Telecom and Deutsche Telekom have joined to establish an outsourcing company of their own, Eunetcom, while the Swiss, Dutch and Swedish state telecoms recently set up a joint venture, Unisource, to provide data transmission services to European-based multinational companies, signing up Sprint, the US carrier, to provide global links out-

ally subsume its Atlanta-based Syn-

cordia subsidiary. Mainland Euro-

side Europe. Meanwhile, American Telephone and Telegraph last month launched Its Worldsource service aiming to provide a "seamless" global telecoms service through partnerships with national telecoms carriers region by region. It has already signed up five Asia-Pacific carriers and is roaming Europe in search of partners for its launch in Europe next year.

New services on offer range from plain paper fax machines able to send low-priority faxes overnight, to advanced electronic data exchange permitting users to exchange business documentation using standard electronic forms, broadband services such as video-conferencing, and virtual private networks which companies use to link switchboards on different sites, even in different countries, and far more besides.

Remarkably, many of the once hidebound state telecoms utilities are leading the way in turning technology into new services. In the US and UK, their monopolies have been abolished; they are likely to be so soon in the rest of Europe. So they can no longer sit back, keep their networks ticking over and expect the profits to roll in regardless. For companies it offers opportunities

IN THIS SURVEY

■ Digital services: A new genaration of mobile talecoms equipment, based on digital technology, is poised to deliver a wide range of new services Page 2

Satellites: By the end of the decade it is likely that satellites will have provided tha first truly global mobile

■ Cable telephony: The Holy Grail of communications technology for business is the so-called "ideal desktop". Interest in networked multi-medie applications is running high Page 4



BT engineers installing optical fibre in London

■ Smart cards: Worries about bank and charge-card security are generating fresh Interest in smart cards. They will also be used in the GSM digital mobila phone network to curb illegal use of mobile

■ Quality of service: The blunt message from telecoms customers is that price is not everything. Companies want a reliable service and if new entrants to the market will not provide it, business will not go their way . Page 7

W Vsat services: Networks are commonplace in the US. but in Europe, until now, very small aperture terminals (Vsats) have been slow to

Editorial production: Phil Sanders

DATA NETWORKING SOLUTIONS

MONEY TALKS. NORTHERN TELECOM TRANSLATES. DM £ E° HK\$ Lit SRIs \ Er. One standard 90 percent of the world's leading financial institutions can bank on is a global data networking system developed by Northern Telecom, which flawlessly transfers and converts trillions of dollars annually. Northern Telecom. Discovering and delivering the best solutions in voice, video & data communications systems worldwide.

TELECOMMUNICATIONS IN BUSINESS 2

ver the past decade, mobile telephony has become the fastest growing segment of the dynamic global telecommunications market. Now a new generation of mobile telecommunications equipment, based on digital rather than analogue technology, is poised to deliver a wide range of sophisticated new voice and data services to busi-

ness and residential customers. The total number of cellular telephone subscribers grew by 43 per cent last year to 23m, according to figures collected by Mobile Communications, the FT newsletter. In the US, the biggest cellular market, subscriber num-bers jumped by 46 per cent from 7.6m

By the end of this decade half of all telephone calls worldwide are expected to originate or terminate on a mobile phone - and a growing proportion of those telephones will be operating on the new digital technology. EMCL the Washington-based mar-

ket research organisation, has forecast that there will be about 13m digital cellular subscribers worldwide by 1996, accounting for about a quarter of the total cellular market. This expected growth in digital cel-

lular subscribers reflects some key advantages which digital technology can offer over older analogue systems. Among these, digital mobile telephones provide more reliable, clearer and more secure telecommunications. In addition, by converting ordinary

sound into computer code, digital services can pack at least 10 times as many calls into the same "space" in the radio spectrum. But perhaps most importantly they allow telecommunications network operators and others to provide a wide range of value-added customer services.

Significantly, although North America led the first mobile telecommunications revolution in the early 1980s, it is Europe that has taken the lead in the move towards the next generation of digital systems.

Europe has adopted a pan-European digital telecommunications standard called GSM (Groupe Speciale Mobile). "The big impact of GSM is that it is a DIGITAL SERVICES

New generation in wings

an industry analyst with Dataquest's European telecommunications group, "and this means enormous economies of scale for equipment manufactur-

In contrast, in the US a dispute between network operators over two rival digital standards, one called time division multiple access (TDMA) and the other called code-division multiple access (CDMA) is threatening to delay the widespread introduction of digital systems.

Twenty-three operators in 16 European countries are committed to building GSM networks, and another 20 countries around the world have adopted GSM as the basis for their next generation of cellular services.

The first GSM networks were launched last July in Germany, France and Denmark, and similar services are now being rolled out across Europe. Since last July, GSM subscribers have accounted for almost one third of all new subscribers to cellular networks in western Europe. By the end of this year Dataquest is forecasting that there will be 1.1m GSM subscribers in Europe, growing to 8.31m by the end of 1996.

in the UK, Celinet - one of the two analogue cellular network operators - plans to have 60 per cent of its GSM network in place by year-end and will begin to actively market its system to business customers early next year. Vodafone, the other UK cellular operator, launched a limited GSM network in December and plans to have 90 per cent of its system in place by the middle of this year.

Vodafone bas already reached GSM roaming agreements with Denmark. Finland, Germany and Sweden and expects to sign shortly with France, Italy and Switzerland. These agreements will eventually allow GSM sub-

single standard," says Mr Dean Eyers, scribers carrying their personal smartcards to make calls using a GSM phone anywhere in Europe.

The GSM standard also includes a mobile data facility which will eventually enable mobile terminals, such as portable computers and fax machines, to communicate through a GSM handset at speeds comparable to the best of today's fixed telephone data links. It is also compatible with the emerging integrated services digi-

tal network, or ISDN.
"As GSM digital networks roll out across Europe and other parts of the world they brink with them a whole new range of features, says Mr Dominic von Trotha Taylor, marketing manager at Vodafone's sister com-

The pace of transition from analogue to digital cellular systems will vary

pany, Vodata. One of the most significant of these is the GSM Short Message Service which enables GSM handsets equipped with small LCD screens to receive messages like

In December, Vodafone, working with Sema Group's telecom division. became the first GSM network operators to successfully test the ahort message service feature. This allows an alphanumeric message of up to 160 characters - twice as long as the typical maximum length paging message - to be displayed on the handset.

The messages are sent via the short message service centre and when they arrive at the mobile they are stored in the user's SIM (smart) card ready for retrieval. SMS's unique features include the ability to send or receive messages at the same time as speaking or sending data, an alert feature for informing a third party when a mobile re-registers on the network. the ability to store a message and forward it to the mobile when it is switched on, and acknowledgement of successful message delivery.

Mr Martin O'Byrne, managing director of Sema'a telecom division, believes that SMS and other features like it will provide network operators with a way of differentiating service offerings.

However, GSM and other new premium-priced digital services will not replace the older analogue networks immediately. Existing analogue network operators believe there will be a slow and gradual migration to digital services. "Analogue systems will be with us for some time," says Mr Eyers of Dataquest.

The pace of transition from analogue to digital cellular systems will vary from country to country. In those countries such as the UK which have well-established analogue systems which are not capacity constrained, the growth of GSM is likely to be relatively slow.

Analogue technology will also continue to play a key role in developing countries, including those of eastern Europe where cellular systems are already providing a relatively cheap alternative to dilapidated or non-existent fixed-wire telephone systems in many countries.

Elsewhere, fixed-wire telephone systems could also face a challenge but from other new mobile digital cellular services which are just around the corner. For example, in the UK Vodafone plans to launch a second service on the back of GSM called the Micro-Cellular Network, or MCN, which will be a low-cost digital portable telephone service aimed at domestic customers

Local MCN call charges are expec-

ted to be significantly cheaper than GSM services, putting the service in direct competition with fixed telephone networks. MCN is due to be launched in the south-east of England later this year in direct competition with another digital system aimed at the mass market called the personal communications network (PCN).

One-2-One, - previously Mercury Personal Communications - a joint venture between Cable and Wireless and US West, plans to launch its PCN service in the London area this summer, expanding throughout the southeast to reach a quarter of the population by April next year. Hutchison Microtel, a joint venture involving Hutchison Telecom UK and British Aerospace, is also building a PCN network but is not expected to launch its service before next year.

Elsewhere in Europe, PCN networks are likely to be built in Germany, France and Spain. Some countries have also licensed call-only Telepoint services, such as Hutchison's Rabbit service in the UK and France Telecom's recently-launched Be-Bop service in Parts.

In the office environment, cordless systems have been somewhat slower to take off than expected - perhaps because until recently they offered few if any advantages over the fixedwire systems they were supposed to replace. However that could be chang-

Two competing digital alternatives have been developed, one based on the established CT-2 "telepoint" standard and the other built around the emerging Digital European Cordless Telecommunications (Dect) standard for private cordless telecommunica-

Dataquest expects 10 to 15 per cent of office telephone systems to be cordless in five years. Certainly, research suggests there is a market for cordless plu systems. About 60 per cent of business calls fail to reach their intended recipient on the first attempt causing annoyance and expensive games of "telephone tag."

■ MOBILE DATA SERVICES

Market is immature

MOBILE data has an identity problem. There is little argument that the market for mobile data is potentially enormous - but for tha moment many customers appear confused by the plethora of emerging services and equipment. Market size estimates vary

wildly but Arthur D Little has identified 3.8m potential users for wireless data services in the US by the end of the century and PA Consulting has predicted that there will be 2m users of two-way mobile data in the UK by the end of the decade.

To date most mobile communications have focused on voice. However data transmission has several key advantages over voice telephony: it is generally cheaper, quicker and more accurate and while pagers and cellular phones play an important role, they have limitations when it comes to transmitting complex or

Estimates out the total number of subscribers to all data services in the UK at about 10,000

large volumes of information. Typical applications for mobile data involve transferring information to and from portable computers or mobile data terminals and office computer systems or other mobile users. Potential users include the projected owners of a new generation of hand-held devices called "personal digital assistants". Mobile data Will provide corporate sales forces with up-to-date customer information or keep track of emergency services, truck fleets or

railway wagons. But so far, mobile data has failed to live up to early expectations and most mobile data operators have been scaling back their subscriber projections, and in some cases their investments. The shortfall may simply reflect the fact that most services are still in their infancy, or it may be because there are a bewildering array

In the UK, for example, mobile data services are offered by the cellular operators, dedicated mobile data network operators such as Hutchison, Ram Mobile Data, Cognito and Vodafone's Paknet, specialist network operators such as Securicor Datatrak, and over public and private mobile radio networks - all using incompatible standards and

Unlike the cellular telephone network operators, who have managed to attract more than 1.5m subscribers for their voice services in the UK, the uptake of data services has been somewhat disappointing. In contrast, most estimates put the total number of subscribers to all data services in the UK at

about 10,000. Generally, transmitting data over a non-dedicated service means sacrificing transmission quality, coverage or compromising in some other area such as message length. In addition, transmitting data over an analogue cellular system is considerably more difficult than over the public switched telephone

network Nevertheless, much of the research shows that many customers require a combination of voice and data communications. One solution is to build the specialist electronics into dedicated equipment or use a special cellular modem.

Vodafone's Mobile Data Service, which claims several thousand users and claims to be "the UK's most widely-used mobile data communications solution", uses a special cellular data link control modem to enable customers to transmit and receive error-free data over the Vodafone cellular network which provides automatic standards conversion

Another option is to wait for digital cellular telephonea based on the pan-European GSM standard. Vodafone has already tested a feature devel-oped for it by Sema called the short message service centre which enables messages of up to 160 characters to be sent to a GSM handset and displayed on its LCD screen.

Paging is perhaps the most obvious application of this facility although Vodafone acknowledges that "the size cost and short battery life of a GSM phone relative to an advanced alphanumeric pager will ensure that GSM does not compete head-to-head with the European paging market."
However, the GSM specifica-

tion also includes a "V24 interface" which will eventually link the mobile directly to any terminal - for example, a mobile fax machine or a portable computer. This could bring the GSM phone into more direct competition with the dedicated mobile data networks.

The UK government issued five 25-year licenses for nation. wide public mobile data net works in October 1991. Prior to this only privately-owned radio networks had existed. The new licence winners were Cognito, DMC. Hutchison Mobile Data Motorola and Ram Mobile

Of these, DMC and Motorola did not take up their licences but Paknet, now owned by Vodafone, was subsequently awarded a mobile licence in addition to its existing fixed licence under which it had been providing a packet-switch data service.

Cognito was closed after the sale of its parent. Dowty Group, last year, but was relaunched last autumn after a management buy in-buy out deal. Cognito's new service provides customers with a mobile two-way text messaging system using a hand-held communicator called a Messenge which has a small screen and keyboard and operates via the group'a nationwide data cellular network.

Hutchison Mobile Data and Ram Mobile Data hava also launched their mobile data ser. vices - using rival and incompatible equipment, Hutchison's system is based on Motorola's RD-LAP system which is also used by Deutsche Telekom in Germany while Ram, a joint venture involving US-based Ram Broadcasting and Bell-South, France Telcom, Swedish Telcom and Bouygues is using Mobitex packet-switching technology developed by Ericsson.

Mobitex is beginning to emerge as a de facto standard in Europe. So far, Ericsson has won contracts from seven out of the 10 European mobile data licenses awarded. The European Telecommunications Standards Institute (Etsi) is still working on an official standard which is not now expected before 1996 at the ear-

In the meantime the relative growth of competing mobile data technologies probably depends on how quickly useful applications software is developed. This is clearly recognised by Mr John Jarvis, Ram's new chief executive in the UK, who says the group is encouraging the development of new verti-cal and horizontal applications, and the migration of existing applications running on pri-

vate data networks. Already, more than 100 application projects are in trials with Ram. Among the applications which have recently been adapted for use on the Ram system are Dispatcher, a Window's-based fleet dispatch software and hardware package, and Remote-1, a comprehensive

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Ram and Computer Services for Industry have jointly developed Mobilink-400

field call activity management tool and communications pack-

Ram and Computer Services for Industry have jointly developed Mobilink-400, an interface enabling portable terminals to interact with IBM AS-400 systems. In addition, Ram and Lotus Development bave recently announced an agreement to develop a wireless version of Lotus cc:Mail, the market leader in Lan (local area networks) -based electronic mail systems which will enable portable computer users to send and receive electronic mail messa

Mr Jarvis believes that having applications in use by real customers will give public mobile data an important head start against GSM and reinforces mobile data'a distinct advantages over other mobile technologies. "We have an edge in response time and in terms of cost," he says.

One area which appears to hold particular promise for public mobile data is fleet and freight management, monitor ing and security. This is also the specialist niche chosen by Securicor Datatrak. A new version of the established auto-matic - tracking Fleetrak system enables drivers to send and receive messages using invehicle terminals and printers.

Securicor Datatrak owns and manages its own wide area radio-based communications network in the UK and claims that its system has a number of advantages over other mobile data services including faster set-up times.

Over the next seven years its should become clear which mobile data technologies are going to survive the inevitable shake-out. Like many other segments of the fast-expanding mobile communications industry, mobile data is still an immature market with competing technologies jostling for

Paul Taylor



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groups proposing Leo-based tele-

communications systems. The best

known, and probably the most

ambitious, is the proposed \$3.4bn

The others are Constellation Com-

munications with Aries, Ellipsat

Services (Global star), and TRW

Space and Electronics (Odyssey).

Iridium system, lead by Motorola.

SATELLITE-BASED SERVICES

Truly global mobile network

that satellites will have added another dimension to mobile communications and provided the first truly global mobile telecommunications network.

Satellite-based systems already provide a number of key telecommunications services, particularly maritime and aeronautical commu nications services where land-based

systems are not an option. The market for these systems is dominated by Inmarsat, the London-based Inmarsat International Maritime Satellite Organisation.

According to Mr Justin Jameson, an analyst with Datamonitor, the number of Inmarsat terminals in use is expected to grow from 28,357 last year to 73,258 in 1997, s compound annual growth rate of 20.9 per cent.

Mr Jameson helieves that the highest growth will take place in the aeronautical market "where both commercial and private aircraft are increasingly being fitted with inmarsat terminals allowing the crew and passenger to make calls and send faxes."

Meanwhile the land and maritime markets will continue to grow as a result of the introduction of lowercost Inmarsat-C and Inmarsat-M terminals including the lightweight hriefcase-sized portable systems

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need to send or receive private and secure information from inaccessi-hle or remote places.

However, some time before the end of the century Inmarsat will probably face competition from a new generation of low earth orbit satellites (Leos). Unlike geostationary satellites (Geos) which orbit at a height of about 12,000 miles, Leos

Perhaps the biggest problem is the apparent potential oversupply of satellite system operators. Analysts believe there is only room for two new Leo-based services

America.

orbit much lower at 550 to 6,000

Because they are closer to the earth, Leos should suffer less from the characteristic voice delay or echo heard on some satellite voice

In addition, Leo-based systems will allow the use of lighter and cheaper portable equipment.

However, Leos do have some dis-advantages. They are solar powered and since they spend more time in shadow they have a much shorter lifespan than Geos - about five years compared with 10-12 - and they are much less powerful so more of them are needed although that may generate economies of scale in satellite production.

A sixth group, American Mobile Satellite (AMS), a joint venture hetween McCaw, Hughes and MTEL, already has a geostationary satellite system in operation. However, it only has a few hundred sub-

scribers and just covers North

The other companies, with more amhitious plans for worldwide service, hope to begin operations in 1996 or 1997. The number of satellites in each system or "constella-tion" varies. Motorola's Iridlum would have 66, Aries 48, Ellipso 24, Globalstar 48 and Odyssey 12. The cost estimates also vary dramatically from a minimum of \$200m to more than \$3bn.

All except Ellipso would use cir-

Currently there are five US cular orbits but Ellipso's satellites as its name suggests, would use elliptical orhits which the group claims will provide significant advantages including longer coverage of key markets using fewer sat-

TELECOMMUNICATIONS IN BUSINESS 3

The targeted subscriber base also varies considerably. Motorola pre-(Ellipso), Loral Qualcomm Satellite dicts about 2m customers for fridium hy the turn of the century including about 700,000 subscribers for data alone. Motorola expects to charge between \$2,000 and \$3,000 for handsets and about \$3 a minute for calls.

Some systems such as Oriesses could handle up to 16m subscribers, hut most of the groups are basing their costings on much more con-servative estimates. Even so, some analysts such as Mr Dean Evers of Dataquest, question whether they can make economic sense as a mass market voice telecommunications delivery system. However, most of the Leo systems

would also be used to provide other high value services including data communications and radio tracking. Even then their backers face some formidehle cost and other problems. One unresolved issue is about how to regulate Leo operators - an issue which is exercising

the European Commission, Other

issues, such as deciding which fre-

Value-added services: Packet-switched and other data services

Changing habits of a lifetime

quencies to allocate to Leos, have already been agreed in principle.

But perhaps the higgest problem is the apparent potential oversupply of satellite system operators, a prob-lem which is not eased by Inmarsat's own plans for a new \$2bn satellite-based global mobile telecommunications service designated

Most analysts helieve there is probably only room for two new Leo-based services. What does seem certain, however,

is that the dream of s universal mobile telecommunications service will move s step closer with the launch of new satellite-based global

Paul Taylor

elecommunications and computer companies are running around like headless chickens in an attempt to find the right mixture of products and services

to meet the surge in demand for linking together networks of personal computers. It would have been inconcelvable 10 years ago to have a telephone company moving at the pace of a one-legged chicken, let alone a headless

one, to meet its custnmers' needs. Bnt data communications, along with mobile communications, are the two services which the Enropean Commission has mandated member states to open to com-Telephona companies are

having to change their habits of a lifetime because unless they innovate, smaller, more dynamic companies will become the main drivers of the

A new range of products and services is emerging to meet the growth in networking and internetworking. Large compa-nies are demanding solutions to Improve their ability to Intercounect ever-grawing

numbers of local area networks (Lans) pieced together on different geographical sites. Lans are proliferating as companies switch critical applications from the mainframe compnter to personal computers. Lans traffic is increasing at a

There is no single solution for interconnecting Lans. In the past, a corporate telecommunications manager has tended to use private circuits. But running them internally can prove very difficult. Most local area networks have been pieced together over several years and vary widely in size, capacity and in technical characteristics.

fer to hand their business over to a public network. Traditional X.25 packet-switched data networks are one possihility, but high prices across Europe, coupled with uncertainty about whether X.25 can meet current and future requirements for high bandwidth services, are causing many to delay their decision. companies are now developing

Telephone and computer products known as fast-packet

switching services. In some cases, they are offering

Many companies would pre-

rate of 30 per cent a year.

improved, higher speed versions of X.25. But the real revolution in the data communications industry is the development of the muchtrumpeted frame relay, a slimmed-down version of X.25. There are already several hundred users of frame relay in the US where It was devel-

oped. Judging by the interest in frame relay from telephone companies in Europe, there is an expectation that it will have a similar impression this side of the Atlantic, France Telecom and Swedish Telecom are already providing frame relay interfaces to their X.25 networks. Deutsche Telecom, Telecom Lenmark and Spain's Telefon-

lca all plan to launch services

this year, while in Finland and the UK public frame relay ser-

vices are already available.

But despite the public enthnsiasm of European telephone operators, they are privately cautious about promoting services to compete with their existing X.25 and private circuits services. Yankee Group Europe, a leading telecommunications consultancy, says that the mood of European vendors and operators looking at frame relay is to "wait and see." Nevartheless, Yankee Group expects frame relay to see "significant growth in Enrope's nascent cross-border data transport market over the

Frame relay is simpler than X.25 and its lower cost is one of the main reasons why the Yankee Group expects it to break through in Europe. In the longer term, its faster speed will be an advantage. Lahoratory tests show that frame relay can run at up to 45 megabits per second; much

next three years."

higher than the 2 megabits commonly thought to be the practical ceiling for standard X.25. In practice, no operators offer frame relay at more than 2 megahlts but this is still moch quicker than most existing X.25 networks in Europe.

Ranco Europe, a supplier of components to the vehicle and domestic appliance sectors, chose frame relay for its pan-European network because of its speed. Its existing IBMmanaged network service operates at a maximum of 19.2 kilobits per second which is not fast enough for Ranco's plans to develop just-in-time manufacturing.

Rancn'a customers want deliveries to arrive at the precise times the products will be used and thereby avoid costly storage. By consolidating information on orders, sales, shipments and stocks on one frame relay network, Ranco can better meet tight delivery schedules.

Lucrative Pan-European contracts such as Ranco Enrope's are a hig draw for leading valne-added network operators such as Infonet, Sprint and American Telephone and Telegraph. This market is set to increase sharply with the ending of restrictions on competition in Europe at the start of this year.

But there will be less competition for smaller domestic contracts where companies need to invest ln networks linking together the largest

towns and citles. Yankee Group believes that BT and Transpsc - a wholly-owned France Telecom subsidiary - are the two companies best positioned to capitalise on pent-up demand in Enrope's domestic markets for high speed data services. BT inherited its European

presence from Tymnet, the US data communications company it bought in 1989. It has hnilt on this and now has a formidahie frame relay presence in all big westero European cities. Transpac is concentrating on X.25. It has hought private X.25 networks in six European countries and converted them into an extensive European infrastructure,

Transpac has fought a rearguard action against frame relay, which, it says is unsafe because there is no guarantee that the data will arrive in one piece. But Transpac is looking closely at another fast packet technology called Asynchronnus Transfer Mode (ATM)

which has the potential to handle large volumes of data more smoothly than its cum-

bersome name suggests.
A number of little-known US and UK vendors such as Cisco, Synoptics, Fibrenet, Wellfleet, Network Equipment Technologies and Netcomm are rushing to supply ATM products for the private Lan interconnec-

tion market. The jury is still out on whether X.25, frame relay or ATM emerge as the leading technologies for data networking. But the telecommunications industry is in no doubt that the sector as a whole will explode over the next few years. US telecommunications consultancy Frost and Sullivan, for example, forecasts that the market for fast packet switching will rise from \$74m in 1992 to \$2hu hy 1997.

The author is editor of the FT newsletter Telecom Markets

Value-added services: EDI and electronic mail

Faster, cheaper, more reliable

THE paperless office remains a dream that seems to slip ever further into the future. Nevertheless, the growth of electronic trading, using electronic data interchange (EDI) and electronic mail, is having a profound effect on a growing number of busi-

ness and other users EDI is a value-added telecommunications network service which enables two organisations, usually customer and supplier, to exchange routine business documentation such as orders and invoices using standard electronic forms and their own computers linked through a service

It is often a faster, cheaper and more reliable means of exchanging information than the traditional paper-based husiness transaction and can play a crucial role in automating a transaction chain.

For example Tesco, one of the pioneers of RDI use in the UK, has automated its entire transaction chain of recording sales, amending and checking stock records, reordering goods, receiving and checking invoices and making payments.

By reducing the time taken to process a transaction, manufacturing companies and retailers can reduce their level of stocks and adopt management techniques such as just-in-time inventory control.

Trading information electronically can also help suppliers and their customers match their operations more closely to sales patterns and other variables, and lead to s closer "partnership" hetween supplier and customer.

EDI also automatically sets up an "audit trail" which enables an organisation to check and validate electronic documenta-

These benefits have spurred growth in the use of EDI in the US, where it originated, and in the UK which leads Europe in EDI usage in the private sector, although France has made a co-ordinated effort since 1989 to implement EDI in the

In other countries such as Germany and Japan, electronic trading does take place domestically but is limited because the systems depend on non-standard software implementations or industry-based proprietary systems which are not intercon-

About 7,000 companies and other organisations in Britain are estimated to be using electronic trading and the number is growing by between 20 and 30 per cent a year. But there is still much room for growth. Some recent estimates hava suggested that less than 5 per cent of business transactions in the UK are currently handled by EDL Of the top 1,000 companies, roughly 300 use EDL

International Network Services (INS) is the biggest of the UK-based EDI services providers with more than 55 per cent of the market and a 35 per cent share of the

INS, jointly owned by ICL and GEIS, the

US-based network services company, provides three main EDI "communities", INS-Tradanet, the main service for retailers and their suppliers, Brokernet for the insurance sector and Fleetnet for the fleet

leasing-management sector. Its nearly 4,500 UK corporate customers cover 35 market sectors and include 78 of the top 100 UK companies, nine of the top 10 retailers, the 10 largest pharmaceuticals companies, 17 of the top 20 non-life insurers and four clearing banks. Altogether 15,000 organisations worldwide use its network services which link 100 countries

and 750 cities. INS-Tradanet handles more than 6m documents a month and Mr Lee Tate, INS managing director, says the group signed more than 1,100 new companies up for the service last year. However he acknowledges that the market is becoming more competitive.

"The competition is much tougher," he says. Other EDI network service suppliers in the UK include ATT istel, IBM and, since October 1991, British Telecom. In response, INS has dropped its prices. "We

The price cuts were designed primarily to encourage small companies to adopt EDI

are going after higher volumes," says Mr

Earlier this year, INS cut its charges following price changes by competitors in 1992. A basic start-up package including Intercept Plus PC software, joining fee and 12 months usage of INS-Tradanet now

costs £1,450. The price cuts were designed primarily to encourage small companies to adopt EDI. A new "unhundled approach" to charges means that companies wishing to exchange documents with a single trading partner can buy a minimum package at the outset and then take advantage of the integrated INS-Mail facility to add features

as their EDI usage develops. Companies use these EDI service suppliers because they provida a central "post office" function, directing message traffic to the appropriate recipient and providing any "data translation" needed between different computers or message standards.

Service suppliers, software companies and even the big EDI trading partners offer software packages which handle links into the different services and the conversion of data from business systems into the correct message format standards.

UK sectors which have pioneered the use of EDI include the motor and alectronics industries and the retail trade, particularly the supermarket chains, and in the financial services sector, the insurance

EDI is a relatively new value added service - INS, for example, was only set up in

aiready emerged.
in particular, ED1 is becoming far more international. There is an increasing use of Edifact, EDI for Administration, Commerce and Transport, an emerging group of international message standards which avoids the need for conversion from one national or industry standard to another. Between 15 and 20 per cent of INS's

customers now bave interoational links. For example, retailers, led by Tesco and Boots which have developed extensive domestic supplier networks using EDI, are now doing the same with overseas suppli-

In addition, Mr Tate says that a large number of countries are beginning to set up EDI services in their own right, often using the software and technical knowhow of established EDI players such as

INS, IBM and BT. For example, INS has franchised local companies in Ireland, Northern Ireland, Portugal and South Africa to operate the INS-Tradanet service locally and is negotiating other deals in Malaysia, Taiwan and with the PTT in India. Other UK-based service providers have franchised

operations in Singapore and Korea. Our software runs under Unix so we can put it onto any hardware platform," says Mr Tate. The system in Ireland, for example, runs on an IBM RS6000 but INS is working with Unisys in south-east Asia and with Hewlett Packard in India. In Ireland, Portugal and India, where the franchisee is the local PTT, the service runs, or will run, over their own networks.

In other cases, for example South Africa, it is delivered via a managed network.

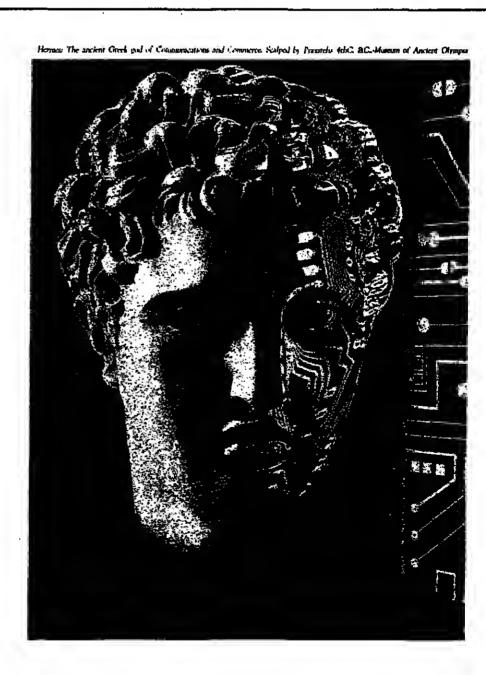
EDI users are also becoming increasingly sophisticated. Originally, EDI tended to be used only for basic transactions such as ordering and invoicing. However, as familiarity with electronic trading has grown, so has the range of information transmitted over EDI links.

Tesco now exchanges 13-week sales forecasts with a quarter of the 1,200 suppliers which trade with it electronically. Tesco has also started communicating with individuals in its supplier companies through the INS electronic mail service. There are 4,000 electronic mail users in Tesco and they can communicate with 3,000 contacts

EDI is also being integrated with existing internal electronic mail systems and other computer applications. Using EDI in this way enables a customer to link two incompatible Email systems, for example in different departments or divisions of the same company.

Finally, EDI is gradually reaching a widar audience including government departments such as the Education Department and HMSO in the UK, and new sectors such as the book industry.

Paul Taylor



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THE GREEK FACE OF TECHNOLOGY

INTRACOM S.A.: HELLENIC TELECOMMUNICATIONS & ELECTRONICS INDUSTRY P.O. BOX 68 1900Z PEANIA ATTICA, CREECE TEL. (01) h646211 - 8943715, FAX. (01) 6644379, 6643718 TELEX. (01) 214087-2198491NTR he Holy Grail of communications technology for business is the so-called "ideal desktop" wherein a data workstation also serves as a networked video terminal to provide real-time interactive audio, full-motion, high-quality video, animation, spreadsheet, database, telecommunications, document processing and other applications – all on the same

Interest in such networked multi-media applications is running high and significant developments in software, hardware integration and switched network accessibility are expected to make them attractive as strategic business tools between now and the year 2000.

The bugbear is that multimedia and the other emergent telecoms tschnologies are bandwidth-hungry. Broadband is expensive and must therefore be capable of instantaneous allocation on demand rather than being dedicated to any particular users or applications. It seems probable that specific sectors of business will take up broadband before the telecommunications community as a whole, probably with Lan-to-Lan and Lan-to-Wan interconnectivity driving the market in the first instance.

At the same time, European businesses are widening their corporate communications bandwidth as computerisation becomes ever more ubiquitous. Ironically, the recession has also spurred technological change with many organisa-

■ Cable telephony: What's possible

Interest is running high

tions re-defining and streamlining themselves into co-operating networks of smaller and more efficient units.

Replacing copper with fibre optics is a massive and enormously expensive undertaking. In fact, widespread deployment of universal broadband networks based on optical fibre to business and residential users will not begin in Europe until after the turn of the millennium. Industry experts generally agree that it will not be fully completed until the end of the second decade of the next century or even later.

next century or even later.

This, combined with the investment already made in copper cabling, will ensure that conventional coaxial or twisted pair-type wiring will co-exist with a growing fibre optic infrastructure for many

Copper cable is still being installed and the bandwidth capabilities of traditional wiring systems are being enhanced. For example, two new services just introduced in the US, High Bit Rate Digital Subscriber Line (HDSL) and Asymmetrical Digital Subscriber Line (ADSL), are capable of transmitting high levels of data over non-repeated twisted-pair copper cable. Field trials of copper-transported



Optical fibre trials in Bishops Stortford, Hertfordshire: Replacing copp

television are also under way using ADSL technology. Nevertheless, optical fibres have several advantages over copper. These include a significantly greater data capacity - the FDDI standard calls for a data rate of 100Mbit/s compared with Ethernet at 10Mbit/e and token ring at 4 or 16 Mbit/s - enhanced natwork security and immunity to electronic noise. They also allow a greater distance between stations and nodes. The FDDI specifies that stations can be 2km apart using multi-mode fibre or up to 40km with the latest mono-mode cable, with a total network coverage of up to 100km. Over the past few years, singls mode fibre has emerged as the popular "fibre of choice" and new developments, such as a cladding glass layer that contains a titanium oxide dopant, have produced a particularly tough, durable and reliable medium.

However, fibre optics also have their drawbacks. For example, every 22 miles the light signal must be converted back to electronic pulses, amplified and then regenerated as a light signal once more. This slows transmission, and it is these staging points and

other electronic pathways at either end of the optic fibre link that dictate maximum signal transmission speeds and cause data bottlenecks.

This could soon be about to change. Some eight years ago scientists of the Optical Fibre Group at Southampton University showed that optical fibre cores doped with the rare earth, erbium, were more reliable and efficient. Later work has demonstrated that erbium doping facilitates almost perfect light amplification and erbium amplification systems have been tested to a distance of 100m kilometres with minimal signal attenuation and complete data integrity reported

The ramifications are enormous. With optical switches installed at the exchanges there will be no electronics to delay signals and communication at very close to the speed of light will be possible. Not only that, some 25 THz (25,000 GHz) of very cheap bandwidth would be instantly available on demand – more than enough to cope with any planned or imaginable application for any business of any eize.

Erbium amplified systems have been specified for several new long-baul aubmarine cables and also for various terrestrial networks. Some will be in place before the end of the century.

Today's fibre optic networks are lit. That is to say telcos provide the fibre optic infrastructure plus the services that run over it – and garner revenue from both. In future we will see dark fibre systems where the end user will decide what applications and services to operate and also provide them. A telco would then be in a similar position to that a of utility company today - providing a pipelins service, but unable to dictate what is to be connected to it, how equipment is to be used, when or by

With BT and other suppliers forbidden to provide home entertainment services over their networks until 2001, the economics of deploying fibre optics is being distorted by a rigged market. In a free mar ket. BT and its rivals could enerate additional revenues from entertainment services and use them to offset at least some of the huge costs involved in laying a fibre optic infrastructure. Businesses because they need faster and better communications, will determine when and where the new broadband systems are built. They will deploy the new technology because, in the end they cannot afford not to.

Martyn Warwick

The author is deputy editor of Communications International magazine



This prototype submarine repeater uses optical amplifiers and fibre doped with erbium which facilitates almost perfect light amplification

■ Cable telephony: What's happening

Evolution rather than revolution

IN the brave new world of deregulated, liberalised, privatised and competitive telecommunications, many new services and applications are the direct result of actual market

demand.

The days are long gone when a monolithic PIT could present a captive business user base with an expensive new technological development that might have no relevance to real market needs.

Today, business users judge the potential of telecoms applications in terms of just what practical benefit they can bring to their organisations. They can choose from a plethora of new technologies, all with their attendant benefits and some occasional, and rather less well-publicised, disadvan-

Telecoms and datacoms are converging to the point where it is difficult to tell them apart. It is now possible to have digital audio, video and data applications delivered straight to the desk-top via the public switched telephone network, a PBX, leased lines, microwave links, satellites, fibre optics, radio and Lans, Mans or Wans. However, despite the strong growth of broadband fibre optic cabled systems, most telecommunication still goes over copper wire at some point during its transmission.

Many of the new technologies have been designed to provide enhanced bandwidth on existing cables and a big attraction is that they protect the large investments already made in conventionally cabled infrastructures. For example, High Speed Digital Subscriber Loop (HDSL) enables 1.544Mbit/s to be delivered over existing copper pair wires and industry analysts believe that

market in Europe.

Regulatory issues are forestalling the development of the
pan-European and cross-border
carrier systems that are vital
to development of business in
the European single market.
Very Small Aperture Terminal
(Vsat) and other satellites services have been particularly
badly affected.

such services will find a ready

Practical Lan-to-Lan and Lan-to-Wan interconnect applications are very popular in business and there has been a concerted drive throughout the EC to deploy frame relay services for packet switched data communications. In fact, frame ralay, a relatively simple and inexpensive broadband technology, is seen as a viable long-distance data carrier for pan-European corporate networks in the very near future. ISDN, on the other hand, long touted as the ideal univer-

ISDN, on the other hand, long touted as the ideal universal telecommunications solution, has not yet proved to be as popular as expected. Take-up of the basic rate service has been slow and, until recently, there were very few ISDN products on the market. Nevertheless, ISDN has made possible the development of intelligent cell processing software in switches and advanced signalling systems such as C7, DASS and DPNSS.

In 1988, the CCITT published the basic principles of broad-hand networking; B-ISDN. The main feature of the B-ISDN concept is the support of a wide range of audio, video, data and image applications on the same network. The target transfer mode for broadband ISDN is the Asynchronous Transfer Mode (ATM) a technique whereby digitised information is inserted in small, fixed-length cells for transmission and switching through a

ATM, a derivative of fast packet switching technology, can carry all types of information in a common format and provide the high throughput needed for emerging broadband applications. Potentially enormous matrix-style cell switches, which do not suffer

the bandwidth constraints imposed by shared media switching techniques, can be built to handle multi-media traffic.

The time taken for Lan devices to process data is called latency. ATM can handle real-time signals with close-to-zero latency because the switch reads the packet address and sends it to its correct destination, probably before the end of the message has even left the originating device. Sheer speed such as this allows ATM to handle delay-sensitive traffic such as voice and video, as well as

data.

ATM is on trial throughout Europe now and indications are that it meets current communications needs, can carry the new video and multi-media applications well and also has the sufficient potential to cope with any likely future services.

with any likely future services. Another technology is Synchronous Digital Hierarchy (SDH) which is a new flexible transmission standard defined by the CCITT. It defines a new type of frame structure for data transport that creates additional transmission capacity and a new structure for handling different data channels. Development and trials of SDH continues but it is unlikely to be directly connected to customer sites much before 1997.

Many organisations are continuing with the private networking arrangements that were first established in the

Virtual Private Networks are more flexible, provide more capacity, and are generally cheaper

1980s. They typically involve managed bandwidth networks supporting distinct voice and data applications and telcos continue to provide leased bandwidth, in the form of private circuits, to support these architectures.

architectures.

However, Virtual Private
Networks (VPNs) are more
flexible, provide more capacity,
and are generally cheaper. The
latest popular architecture is a
bybrid of traditional private
and VPN facilities. It seems
likely that voice applications
will move to VPNs together
with lower bandwidth data services. New higher bandwidth
services will stay on private
dedicated platforms until
frame relay services such as

ATM become available.

Business organisations are demanding skilled, fast and responsive management of their increasingly complex networking environments. BT, Mercury and other telecome companies could find an additional source of revenue by providing network management services in which they would be responsible for much of the day-to-day running of someone else's corporate net-

Perceived corporate benefits rather than the technology itself now determine the direction that business telecommunications services are taking. Users generally prefer evolution to revolution and they want new applications and products to work with existing equipment, smooth integration into sxisting networks, and interoperability with products from other, different vendors.

This has to be achieved at reasonable cost. They do not want unnecessary added complexity, high investment costs, and esoteric new network management platforms.

Vendors and service suppliers had things their own way for a long time. Customer-centred organisations who can make telecoms easier, simpler, faster and cheaper for the users will be successful. Those that cannot deserve to fail.

Martyn Warwick

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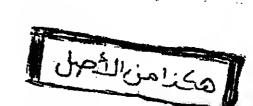
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TELECOMMUNICATIONS IN BUSINESS 5

ow many uses are there for s smart card? Almost as many as for the computer chips which sit inside these credit card-style devices. Potential uses range from keeping networks secure to helping inept cooks - just plug your smart card into the computer and it tells you what to do and even controls special kitchen scales.

Despite the poasibilities, smart cards have failed to live up to optimistic forecasts of suppliers and market analysts who said they would replace magnetic strip cards for bank customers and be in widespread use by the 1990s. One reason this has not happened is cost. Even when bought in bulk smart cards cost about £5 each instead of 40p for a mag-

The UK has lagged behind in the take-up of smart cards. In France, they are used for phone cards. In some Belgian banks, such as the state-owned ASLK, customers carry a personal smart card. This is swiped through the teller's terminal to check the customer's identity. Once this is established the customer can get the same service at any of the bank's 1.249 branches.

However, worries about bank and charge-card security are generating new interest in smart cards around the world. The drawhack of magnetic cards is that they can be forged using fairly low-cost equipment. There have been several well-publicised cases of counterfeit cards being used to steal

Ution

money from cash machines. In Singapore, the government is considering basing the identity cards that all citizens must carry on smart cards.



One use for smart cards will be to improve the security of mobile phones



SMART CARDS

UK lags behind in take-up

The technology could also be used for their banking transac-

Card forgery is a growing international problem and the advantage of smart cards is that they are harder to reproduce. They can also benefit the customer. For example, because smart cards contain a computer memory, they can store a list of transactions. A customer could keep a record of cash withdrawals without having a wallet bulging with ATM (Automated Teller Machine) receipts.

This could be checked from time to time at the cash machine itself, or perhaps on a small card reader usable at home, it might even be possihle to load information from the smart card into a home computer and use it to update a spreadsheet of domestic finances. However, there are other ways of making hank

cards more secure. For example, some banks and hullding societies are embedding photographs into their charge cards.

One of the newest plans for smart-card usa also concerns security. They will be used in the forthcoming GSM digital mobile phone network to cut illegal use of mobile phones. Users will have to insert a card and tap in a personal identity number hefore they will be able to use their phones. Without the card, the phone will be useless and cards reported as stolen will be cancelled. This could make mohile phone theft a thing of the past. More than one card will work with a single GSM phone to enable separate business and social use.

There is also talk of using smart cards to pay UK road tolls if the British government's idea of introducing selective road charging goes ahead, GEC Marconi is testing a system called Timezone in which an electronic unit is activated hy a beacon as the motorist enters a toll area. The toll is then debited from a smart card. The system is to go on trial in Richmond upon Thames. GEC says it lets the traffic flow because cars do not have to stop as they pass the

Another breed of smart cards which is particularly wellsuited for transport use is the "contactless" smart card. Demand for these is growing exponentially, according to Mr John Meikle, sales manager of GEC Card Technology. The cards work when they are hrought within a few centimetres of a reader device, making them easy for drivers to use.

Contactless cards are also useful for those who prefer to take public transport. The Greater Manchester Passenger Transport Executive is to issue contactless cards developed by GEC Card Technology of Walsall, England to its passengers. A similar, tess amhitious scheme, using GEC cards, will begin testing with London Buses in Harrow in July. Another is planned for Oslo.

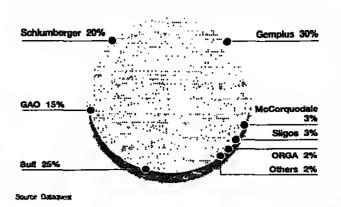
To begin with, the Manches ter scheme will involve 500,000 cards to be used on the city's 2,700 buses plus the "Metrolink" and rall systems. The cards will act as prepaid tickets, usable many times. Each time the passenger makes a journey, the fare will he deducted from the card as he or she boards the hus. The cards will prevent delays caused by people fumbling for the right change because they can be read through wallets or purses. Customers will he able to get a print-out of their last 20 journeys and the transport executive will get better information about travel patterns,

scriber Line (ADSL), fibre in

the loop (FITL) or hybrid fibre-

coaxial cable distribution net-

1992 European smart card market share



Estimated European smart card production

By application type (millions of units) Bank cards GSM lelephone Pay TV Payphone Payphone 1988 1989 1990 1991 1992 1993

The transport executive is also talking to retail outlets about the possibility of renting out memory space on its smart cards. This would enable passengers to use the card for huying such items as petrol or their morning paper. The cards are rechargeable and can be topped up at selected post offices and newsagents.

One of the higgest applications for smart cards is in network security. Northern Telecom's European research arm, BNR Europe, uses a metal-en-cased smart card from US company Security Dynamics to prevent computer hackers stealing valuable research information from its computers. Mr Andy Macpherson of

ISDN channel which can be

used to access to corporate

LANs for teleworking applica-

tions using a frame relay ser-

channel is supplied, which con-

tains two 64 Khit/s "B" chan-

nels and a single 16Kblt/s "D"

Along with these comes a

which allows the user VCR-

type controls over what is

being shown on the "A" chan-

Control options include all

the usual video recorder func-

tions such as search, pause, reverse and fast forward. A

separate embedded operations

channel permits internal sys-

audit, telephone company

administration and hilling

Finally, the user can make or

tem maintenance, monitoring,

cbannel,

functions.

BNR Europe says it has bought 40 of the company's SecureID cards and plans to order more. They provide a way of restricting access to the company's network without giving travelling executives a lot of extra gadgets (such as card readers) to carry. To access the computer from

a hotel room, for example, an executive types in his 1D and a password. If he or she gets this right, the computer will request a passcode number. This is a random number gen erated by the SecureID card and tha numbers change every 60 seconds. Without the passcode number the user cannot

Mr Jim Geary, of Security Dynamics in the UK, says the cards are also used hy several telecoms companies, such as American Telephone and Telegraph (itself a maker of smart cards) to prevent fraudulent access to their networks. For example, customers of BT's Global Network Services data network can opt to use Secu-reID to provide an extra level of security for their computer systems.

Smart cards can also be used to improve the in-bouse secu-rity of computers. In its headquarters in Lisle, CTR Nord-Est - a regional clearing centre for the savings banks of northern France - has personal com-puters with huilt-in card readers. Without inserting the correct smart card, users cannot log on to its clearing sys-

Joia Shillingford

The author is editor of the FT newsletter Business Computing

he UK has two fundamental networks: telephone and television. All others, apart from a few specialised satellite, microwave or cahle hased-systems, are aither adaptations or extensions to one or other of the two base models.

The success of satellitehroadcast TV services and the few, scattered, cahle TV networks that are available here is helping to foster demand, led mainly by domestic consumers - but business and academia is interested as well - for new entertainment and information TV services.

Just as telecommunicatious, datacommunications and computer applications are converging to the point where it is practically impossible to tell them apart, so the telephone and television networks have significant, and growing, areas where their interests and capa-

bilitles overlap. For example, as more and more of the UK is called for multi-channel TV, it will be a technologically simple matter for the cable companies to provide access to the public switched telephone network over their TV cable and so compete, head on, with the

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and they be the

 $\chi_{\rm tot} = 10.5 \, \rm M_\odot$ by $-2.7 \, \rm M_\odot$

for W. 1. 4 324.

ne of the main tenets of modern management theory is that husiness organisations operate most effectively when they focus on those core operations where they have special exper-tise - and buy in the other ser-

vices which they require. Services ranging from catering to data processing and even manufacturing are now "outsourced" hy companies and increasingly hy government departments on hoth sides of the Atlantic.

Beginning in the 1970s, many companies built their own telecommunications networks for voice or data or a mixture of the two and installed complex private hranch exchanges (PBXs). But today many large customers are either asking outsiders to manage their networks, or buying-in the sophis-

Similarly, the technology now exists to permit high bandwidth video to be transmitted over existing copper-cahled telephone networks as well as on new fibre optic lines, putting telephone companies in direct competition with the cable TV businesses. The telephone system also has the supporting infrastructure to handle switched or on-demand applications, and the capability

to bill for services rendered. After more than 10 years of duopoly competition, telephone bills in the UK remain uncompromisingly high. Individual and business subscribers may complain about the size of their quarterly accounts hut these are also regarded in very much the same light as death and taxation: unfortunate but inevitable.

Video dial tone networks will allow telephone companies to provide information, education, medical, banking, catalogue shopping - and home entertainment services such as cahle television, pay-per-view channels, interactive learning and true video-on-demand. They will all have to be paid

Most research and development work in video dial tone has taken place in the US

An interesting battle looms where the both the regulatory environment and the market is

more conducive to the deploy-

ment of such interesting new

The situation in the UK is somewhat different, cable TV is far from ubiquitous here and legislative strictures are preventing the biggest potential players in the market, the telephone companies, from competing with the cable compa-

The government, allegedly to allow infant cable TV companies time to grow up, has for-bidden both BT and Mercury to provide home entertainment services over their networks

BT attempted to pilot videoon demand services in East Anglia but the Cahle TV Association (CTA) successfully contended that video-on-demand effectively constituted entertainment delivery.

The argument hinges on just what constitutes hroadcast entertainment. Television is a one-to-many medium that can provide a minimal degree of interaction via teletext type services.

Telephony is a one-to-one medium, (except for businessbased audio and videoconferencing services) that by its very nature is full duplex and therefore bas the potential to be

ADSL is the transport link that will allow local exchange

Video dial-up services

carriers to use existing copper wires to deliver broadband services that provide high-speed data, digital audio and video to

The user can make or receive telephone calls over the same copper pair without affecting the digital transmission channels

mada highly interactive. The the bome or husiness. question is, is it broadcast? illustrate bow shortsighted and counterproductive It can be to make arbitrary rulings on how. when, where and why a technology may be deployed while that technology is still actually

being developed. From the technology angle, subscriber transport of video signals can be achieved over existing copper loops using Asymmetrical Digital Sub-

It can carry a one-way trans-Wrangles such as this nicely mission of a hit-stream up to 6Mbp/s from the public network to customers, while at the same time providing an interactive control bit stream from the individual customer back to the network; and still

> Asymmetric refers to the difference in hit rate between the two directions of transmission.

pair as the plain old telephone

system (POTS) line.

When ADSL was first proposed, in the US in 1989, there were two competing technologles that seemed to be capable of delivering the 1.5Mbit/s service - as it was then envisioned - over the installed copper base. Thesa were Quadrature Amplitude Modulation (QAM) and Discrete Multi-Tone (DMT) which is also

known as multicarrier. Further research and development showed that DMT was capable of providing high-quallty performance at speeds in excess of 6 Mbit/s. It does this by dividing avail-

able bandwidth into 256 channels and uses digital signal processing to dynamically adjust parameters as necessary to minimise errors and cros-

DMT technology supports four "A" channels at 1.5 Mbit/s, retain the use of the copper each of which may carry a video signal of VCR quality, or two channels can be merged to carry a high-quality, outside

receive telephone calls over the same copper pair without affecting the digital transmission channels just described. What is more, because the hroadcast-type real-time video ADSL is passively coupled to the POTS line, the subscriber's POTS capability is unimpaired even in the unlikely event of a systems failure.

> Taken together, these channels provide an aggregate transmission rate of close on 7Mhit/s that could take

Sector-based Analyses

signal. For the future, all four ramarkable new broadband channels operating in concert will he able to transport an services direct to the bome over existing copper cabling. extended definition TV signal. Video dial tone also requires DMT also carries a 384Kbit/s

an interactive system that must permit automated, random access media-independent storage and retrieval capabili-

Sophisticated software must process subscriber requests A further hasic rate ISDN and must provide subscriber interactive services, network interface support, robotics and drive control, statistical and accounting functions and video signalling-control channel, library and shelf management again operating at 16Khit/s,

It is anticipated that such an automated system will deliver any video selection or other service, in less than 10 seconds, from a library of 10,000 to 15,000 titles.

Civen the massive installed base of copper cable and the comparative expense of laying fibre optics, it seems likely that those systems that can exploit copper as a transmission medium will win a large share of the potentially huge video-on-demand market in the

short and medium term. Flhre will continue to he deployed and can carry more services than wire, but fibre to the home is a long-term prospect whereas fibre to the work

The battle between the established and emergent telephone and TV interests could well be more interesting than some of the programmes on the box.

Martyn Warwick

OUTSOURCING

The telecoms revolution

ticated telecommunications facilities and network services which they need

increasing competition hetween established network

operators and a proliferation of

arrangements will involve the

blurred. They include:

stantial capital investment.

early 1980s, hut bave heen much slower to develop in Europe. "Centrex in the US is quite a substantial revenue earner (for the network operators), but in Europe it is only really available in the UK and Sweden," says Ms Cathy Borrows, an industry analyst with Dataquest. In the UK, Mercury and BT have hoth begun to

 Managed Network Services (MNS), where most or all of the day to-day running of a corporata voice or data network (Managed Data Network) is undertaken hy an outside con-

These services are offered in the UK by a wide range of comment Service under which Merwork and round-the-clock technical sup-

 Virtual Private Networks (VPNs), where the features and functionality of a private network based on leased circuits are provided instead on the

fastest growth areas in business telecommunications

public telephone network on a vate network.

growth areas in business telecommunications. A recent business

By the same date they forecast that international VPNs will comprise 21 per cent of telcos' international revenue. amounting to \$2.3bn for voice and \$500m for data.

From the customer point of

view the advantage is not just one of cost, although often

provide than leased lines, they enable network operators to "capture" the outsourcing revenues of private networks, and they provide a commercial justification for huilding "intelligant" network infrastructure. VPNs also offer the chance to ness and new international

In the US the three inter-exchange carriers, US Sprint, AT&T and MCI, introduced VPN services for volce in the mid-1980s. Since than, VPNa have become the dominant service offering of the carriers to large corporations and almost all of the top 1,000 companies use the service, as do many smaller organisations.

in Europe. In Britain, VPN services so far have mainly been aimed at the large national and multinational companies. However, increasing competition between Mercury and BT, particularly for the hig business customers, and tariff re-balanc-

The recession also focused

management attention on what Mr David Sexton, customer director for managed network services at Mercury, calls "sticking to the knitting." He also suggests that because we are entering a period of "technology churn" corporate users are more inclined to turn to outside service providers rather than risk investment in

rapidly changing technology. "Customers have been looking very closely at what they want to provida and manage," he says. "For some it will remain economic for them to continue to operate their own networks." But for a snbstantial proportion he believes Centrex. VPN or full outsourcing will make sense.

Both Mercury and BT have invested heavily in recent years in providing both national and global VPN services. Mercury, in conjunction with its parent, Cable & Wireless, and partners such as US Sprint, provides an end-to-end service under the GVPN banner and BT provides a global service called International FeatureNet service which was launched in 1990 and offers onnetwork connections to the US VPNs and off-network connec tions to a number of other countries

In Britain, BT's VPN service is called FeatureNet 5000. One of its latest customers is Saga, the UK-hased international travel and financial services group. Saga's new system includes a VPN and an automatic call distribution (ACD) systam providing digital switching technology to handle domestic dial-up calls and most of the voice and data traffic that would normally require dedicated leased lines.

Saga can increase or reduce call capacity at two bours' notice, for example to accommodate extra traffic generated by marketing activity.

Meanwbile, Mercury is actively pursuing outsourcing business. Early last year it won two hig contracts, one from TSB and the other from GEC and, according to Mr Sexton, itis negotiating several others at the moment

Paul Taylor

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Several other factors are also pushing companies towards the outsourcing solution for their telecommunications requirements in the 1990s. Among these are the growing complexity of telecommunications services, the rapid pace of technological change, the increasingly global nature of business, and the liberalisation of telecommunication regimes.

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clients. These range from relatively simple value-added services such as automated facsimile "exchanges" to complex full outsourcing contracts where a contractor is responsible for providing a wide range of flexi-hle telecommunications services to a customer on a national or international basis in what is generally viewed as a "partnership" arrangement. Sometimes these outsourcing

customer transferring assets and staff to the contractor. There are several main categories of bought-in service on offer, although the dividing lines between them are

· Centrex, where the features of a conventional company PBX - such as desk-to-desk dialing - are provided by the network operator who partitions off part of the public telephone exchange to act as a customer's office telephone system. The customer then usually pays a regular fixed sum for the exchange equipment used and a variable increment for the calls made, but avoids the need for sub-

Centrex services have been available in the US since the offer centrex services.

paniea including the two domestic network operators and international competitors such as AT&T. For example, Mercury offers its Telecommunications Facilities Managecurv ataff supervise, operate and maintain a corporate netprovide

VPNs are one of the

national or international basis. At its simplest, a VPN offers businesses a way to link the switchboards on diffarent office sites - even if they are in different countries - without having the expense of installing and running their own pri-VPNs are one of the fastest

report by Ovum, the telecommunications consultancy, predicted that VPN "will revolutionise communications in the 1990s." The authors predicted that by 1997 the market for national VPNs in Europe and the US will be worth \$12.5bn for voice and \$1.2bn for data.

The growing popularity of VPNs reflects the fact that both sides of the communications industry – supplier and

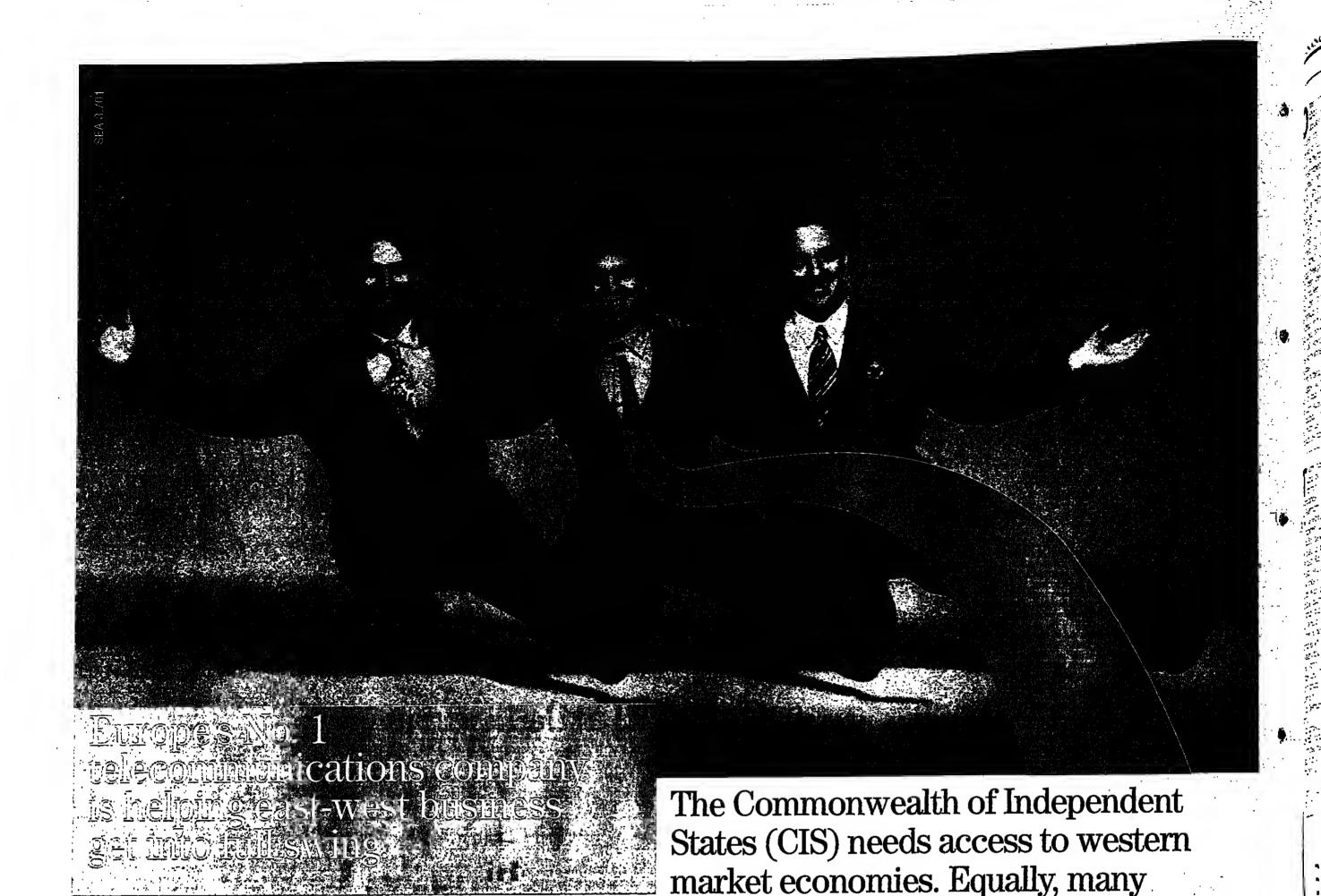
VPN gives users a better combination of cost and flexibility than any other service, while for the telcos it offers the opportunity to increase market share and reduce networking

there can he substantial savings. One significant advan-tage offered by a VPN is that It can be reconfigured rapidly to meet the customer's changing requirements. "Resources can he added to the system very quickly," says Ms Borrows. Network operators are keen to provide VPN servicas because they are cheaper to

increase market share by winning lucrative corporate busl-

But they are still quite rare

ing in the late 1980s which changed the economics of private leased circuits in the UK has helped stimulate interest



European companies are interested in developing new business relationships further east. A fully functioning telecommunications infrastructure is a fundamental prerequisite for meeting these objectives. And it's on this international, east-west stage that Telekom is currently making a vital contribution.

Working closely with several other partners from German industry, we're participating in the CIS ROMANTIS project to create a satellite-supported communications network. This will link the CIS countries to each other and to the western telephone network.

But there's no need to wait until then: Telekom can already offer companies a super-

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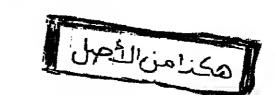
So, in the interests of economic recovery and good inter-country relations, we're thinking a long way ahead. If you, too, have demanding communications challenges to solve in the east, have a word with the No. 1 in Europe: Telekom.

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Tel.: +33 1 4070-00 00 Fax: +33 1 4070-18 51 pounds a year of revenues for BT.

This is no longer the case. Since 1991, BT and Mercury have been offering a sliding scale of discounted telecommunications services, and large users have been buying telephone calls for as much as 20 per cent less than the infrequent caller.

But the introduction of discounts has brought with it a new problem: deciding which discount scheme is best, and predicting in advance the level of spend on telecommunications services over a period of three

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Even when it is clear which of the packages offered by one operator is best, it can be difficult to compare discount schemes offered by BT on one hand, Mercury on the other, and increasingly, cable television companies and other competitors.

> only ever likely to target a very small number of high-spending

Large companies have telecom-

munications managers and teams of

experts who can work their way

through the different options and

decide what mix of services suits

But the small and medium-sized

business, where telephone services

have only ever merited the same

care and consideration as gas, elec-tricity or water supply, often lack

the expertise and resources to make

Those companies which make the

wrong choice, or make no choice at

all, may loss the opportunity to

the right choice.

With BT, the cable television companies and Mercury Communications already poised for a two- or three-way fight for small to medium-sized business and residential customers - it will be a three-way fight if the cable television companies stop working in partnership with Mercury - it would be risky for any other company to embark on a multi-billion pound venture to cable up tha whole of the country.

Most of the new competitors. therefore, are planning to build networks which rely heavily on the national infrastructures already in place courtesy of BT and Mercury. A new breed of telephone companies called resellers are the clearest example of how it is possible to compete with BT and Mercury using their telephone network infra-

Resellers lease private circuits on long-distance and international routes from BT and Mercury, and resell capacity on these routes to

long-distance and international routes, was stealing some of BT's biggest accounts and the former monopoly needed a defence.

BT's discounts apply on a site-by-site, or a multi-site basis. A com-pany which bouses all its operations under one roof would choose a site-by-site discount scheme. But for businesses with many different sites dotted around the country each generating a small amount of traffic - for example a chain of shops - a multi-site scheme

could prove more attractive. The site-by-site discount packages are called Option 15, Option 45, Option 50 and Option 70. For quar-terly payments ranging from £3.40 to £275, users qualify for discounts on BT's basic call charges of between 10 per cent and 16 per cent. Residential and small business users usually opt for Option 15 or

Option 45 because their quarterly spend is not high enough to make it worth their while paying the high up-front cost to qualify for maxi-

DISCOUNT SCHEMES

Teams of experts ponder the options

mum discounts. Option 2000 is BT's multi-site discount package. With this tariff option there are discounts on total

Deciding which combination of discount packages is right for your business is not easy

call charges generated by several sites. The same principle applies as with the other Options packages: users qualifying for discounts of between 14 per cent and 16 per cent in return for up-front quarterly payments of between 14 per cent and 16 per cent

New entrants beside Mercury

For every BT Option, Marcury has a discount scheme of its own. For Options 15, 40, 50 and 70, read Frequent Caller Programme Levels One, Two, Three and Four, all of which offer higher discounts on basic Mercury prices the greater the quarterly payment.

Mercury has a set of discounts for its directly connected customers on the one hand, and indirectly con-nected customers on the other. As a rule, large users are connected directly - they have Mercury lines running into and out of their premises - and small to medium-sized companies take indirect services in which case they are connected by BT lines as far as the local exchange, but connect to Mercury for long-distance and international

For directly-connected sites, Mercury offers discounts averaging 5.7 per cent to 8.8 per ceot in return for quarterly fees of between £300 and £700. Indirectly connected customers get discounts of 11.5 per cent to 17.4 per cent for national calls, and 18.3 per cent to 20.9 per cent for international calls after paying site fees of £5 to £450.

Mercury bas another discount package called its Corporate Plan which is for multi-site businesses and to compete with BT's Option

Deciding which combination of discount packages is right for your business is not easy.

A niche has been created for independent consultants to provida expert advice, and there is increased demand for reports such as the Octogon Guide to Telecommunications Tariffs and the Guide to BT and Mercury Business Tele-phony Tariffs published by Infrastructure, Technology and Communications (ITC), a London-based consultancy.

The Octagon guide concludes that Mercury 2100 - its directly con-nected service - is the cheapest telephone service. "Mercury savings over BT," it says, "are up to 9 per cent, after taking account of the best BT or Mercury options, rental charges and option charges."

ITC's key findings are that Mercury savings for single sites are between 5 per cent and 15 per cent for directly-connected sites, and up to 10 per cent for indirectly connected sites. On a multi-site basis, Mercury savings to BT range from 5 per cent to 10 per cent.

Medium to large businesses, how-ever, will often require a mixture of BT and Mercury services and of singla-site and multi-site discount packages. The savings on basic call charges for a company that mixes and matches different discount schemes is substantial.

Prudent management of telephone services is fast developing as an effective means of cost control.

Mark Newman

here has been a lot of buffing and puffing since the government lifted the remaining restrictions on competition to BT and Mercury in 1991. But few of tha new telephone companies that announced plans around that time to build new talephone networks are close to delivering a service.

British Rail Telecommunications British Waterways and National Networks - the start-up company which was going to use the Post Office's internal network - all came up with plans to build networks that would connect the main UK centres of population. But none are laying down telephone lines yet.

Meanwhile, US telephone companies Sprint and Amarican Talephone and Telegraph are banging their drums loudly but have no intention of duplicating BT's, or even Mercury's less extensive net-

In fairness, most of the applicants are still waiting for the government to process their licence applications. But even after licences have been granted and the operators have secured financial backing and started building their networks, most new telephone companies are large business customers.

A reseller can connect its customer to the BT or Mercury private

make savings on one of their big-gest items of axpenditure and one which will rise as we move towards an information-based society. BT introduced the first bulk dis-counts in 1991. Mercury, which was offering discounts of between 10 per

cent and 25 per cent on all

Competition is slow circuit either with another private circuit, or by the public telephone network. In either case, a reseller buys the service from BT or Mercury, repackages it, and sells it to its customer.

Worldcom, the UK subsidiary of a Swiss telecommunications group, is one of 15 or so companies which consider that the UK offers attractive opportunities for resale. But Worldcom is the only company which has firmly established itself as a reseller and signed up big corporate accounts.

Worldcom offers services to the US and other leading international destinations at lower prices than either BT or the cheaper Mercury Communications. It has more than 100 customers

already and is well placed to benefit from the liberalisation of resale services in Europe.

services in Europe are limited. But the European Commission intends to force member states to drop all restrictions on resale within the Community by 1998.

Other resellers are planning to enter the UK market over the next one to two years, all offering dis-

AT&T has not decided whether it will build a trunk network across the UK

counts to BT and Mercury on main routes. Most of these are new companies which plan to exploit the huge discrepancies between the actual cost and the price that is charged to the customer for delivering inlernational services. Others are public telephone operators such as Swedish Telecom and Telecom Today, the opportunity for resale Australia which will offer interna-

tional services to UK subsidiaries of Swedish and Australian companies. This is clearly the attraction for

AT&T, the US telecommunications

giant which applied in April for a licence to operate a domestic and international telephone network. AT&T has not decided whether it will build a trunk network across the UK. To build a network from scratch would cost billions of pounds and it would take tens of years to recoup the initial investment. One option would be for AT&T to partner one or more of

those new competitors whose projects are already far advanced. One such project is the proposed trunk network to be built by Energis, a company wholly owned by the National Grid company which operates the trunk slectricity network in England and Wales, Energis plans to open the UK's third trunk

will connect 17 of the largest towns and cities in England and Wales. Energis is investing £100m a year in the network over the next five years and would welcome a partner such as AT&T to share some of the investment burdan, Energls received its licence from the DTI in

Energis will initially target bustness customers in city centres and offer them cheaper private circuit and public network services than BT or Mercury. It says it will make considerable savings on the construction costs of the network through the use of existing national grid infrastructure, It plans where possible to wrap optical fibre on overbead power lines as a cbeap alternative to installing cable below ground - and it hopes to link its trunk network into local telephone networks that several regional electricity companies are planning to build

The other project most likely to succeed involves the delivery of local telephone services by radio, Ionica is a start-up company which has developed the technology to deliver local telephone services to telephone network in spring 1994. It residential and small business cus-

tomers using radio tails and bypassing tha BT local telephone network. Ionica reckons it can provide a service to half the UK population over the next few years at prices considerably lower than BT or Mercury.

Today, the only real alternative to BT and Mercury for most business customers are the services delivered by tha cable television companies. The cable operators' franchise areas cover 14.9m bouseholds and businesses, although most of these are still in the planning or network building phase. Nevertheless, they have already installed more than 150,000 telephone lines and more than 20 per cent of the BT custom-

srs they approach are signing up. Cable television operators are mainly targeting small business and residential customers, offering them prices some 10 to 20 per cent cheaper than BT or Mercury. Many of them are offering new services such as call waiting or call forward-ing. Diamond Cable, the cable television operator in Nottingham, has introduced free local calls if they are made between cable lelevision

Mark Newman

QUALITY OF SERVICE

Blunt message from survey

PRICE is not everything. Companies want a reliabla telecoms service and if new entrants to the market will not provide it, business will not go

That is the blunt message of a detailed survey of user per-ceptions of the the UK's public network operators carried out at the end of last year by the Telecommunications Users Association which represents 1,100 companies nationwide spending at least £600m a year

on telecoms between them. The survey, of 1,000 compa-nies, analysed the service provided by BT, Mercury and a few smaller providers.

Overall, satisfaction levels were high. BT generally scored better than Mercury, but there was little in it and on most measures of service quality more than two-thirds of users professed themselves "very" "fairly" satisfied.

However, there were still some serious gripes. BT users were particularly concerned · Billing. Concern was not so

much about accuracy as frequency, layout and content.

A recurring theme was the difficulty of calculating prices and comparing tariffs with ever-more-complex discount schemes

BT has recently made improvements to the last two, but complaints about frequency from smaller users, and the timing of reminders and threatened disconnections

for all, are likely to persist.

BT says it has no "set rule" on the availability of monthly billing. Larger companies qualify; whether small and medium-sized ones do depends, ccording to a spokesman, "on their size relative to others in their area". In London that means they "probably have to have a bill of several hundreds of thousands a year" - although a trial of monthly billing for all companies is underway in one area.

As for reminders, the standard intervals are three weeks to a reminder, followed by second reminder and final notice. "However, precise intervals depend upon paymant history", says the company. Good payers generally get greater leeway.

 The frequency with which account managers wera changed, and poor handover. Some customers complained of having two or three account managers within 18 months. BT's heavy redundancy programme over the past three years which, says the TUA, has resulted in many custom-

ers feeling uncertain about

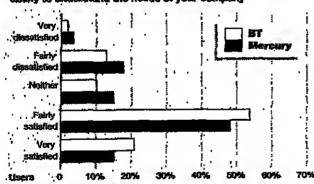
BT's future ability to deliver".

Some "major customer problems" were reported. Despite this, the report continues: "a majority still felt that BT was grossly over-staffed" - so evidently the company cannot • Information about tariff

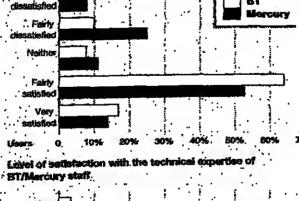
options. A recurring theme ever-more-complex discount sifies, no improvement is to be expected on this score. Least cost-ronting software and smart boxes can do the thinking for you when it comes to selecting operators for particular calls, but the latter have created problems of their own and some new users require large initial payments that

Customer satisfaction

Satisfaction with your BT/Mercury account manager's ability to understand the needs of your company



BT/Mercury account managers Very 78



BT 40% 50% 70% 60% 30%

was the difficulty of calculating prices and comparing tariffs between operators, with schemes. As competition intenalso need to be taken into With Mercury, the main

 Network congestion, particularly in the Manchester, Birmingham and East Anglia regions "and a general lack of

Half of all respondents reported one or more recurring faults with Mercury, often as a result of network congestion or failure. Mercury says that since last autumn it has completed new

switches, npgraded existing

ones, and improved inter-con-

nect arrangements with BT to

relieve congestion in all three areas, "so there are no longer such traffic jams". Billing, with "bills for large amounts being sent sporadically" and inadequate machinery for dealing with complaints. Mercury says it is examining" a new billing sys-

tem, but has yet to make an outside London Mercury was thin on the ground and simply lacked the necessary resonrces." The company, which began life targeting City business traffic, still has work to do assuring out-of-

London customers that they receive equal treatment. It is too soon to pass judgment on the service provided by the 58 cable TV companies laying networks in the local loop. Indeed, most of the complaints against them have not been about the service provided, but rather the absence of any cables providing service in the first place. BT'a Westminster contract ares is a prime source of complaints.

to fulfil its licence. However, one new entrant wins plandits from the TUA: Worldcom, a fast-growing London operator linking private networks into leased national and international leased lines. which has applied for a public telecommunications operator licence to enable tt to offer ser vices via the switched net-

although BT recently promised

to take the contract seriously

and make the outlay required

work. Worldcom branched oot from the leased line business barely 18 months ago, yet now has 80 customers and has only lost one since - and that was not to do with quality. Claiming to charge up to 15 per cent less than Msrcury, it is no wonder that the City is discov-

Mr David Hardwick, Worldcom's managing director, says its ability to maintain quality is no surprise. "After all, our equipment is the same as that used by BT and Mercury - and virtually all our staff come from one or the other." Including Mr Hardwick himself, wbo left BT four years ago. Unsurprisingly, the TUA

members are keen to see greater competition. Only 31 er cent thought there was "adequate" competition. The rest wanted to see more, in three areas in particular: the provision of analogue private circuits; in local calls (where BT still has a virtual monopoly - and will continue to over much of the country even when and if the local cable companies start attracting customers en masse); and in geographical areas where Mercury is weak. "An overriding majority of

the users outside the Greater London area fe)t there was no real alternativa to BT", conclude the TUA. As one user put it: "The problem is, who will want to service the rural or unglamorous areas?" Who

Andrew Adonis | both to enhance the range and

Syncordia and the emergence of global supercarriers

Latching on to demand

• "An overall feeling that | telecoms companies. Most state one-stop international facility in Europe next year. telecoms companies are in or antering the business of providing a "one-stop shop" for companies, servicing and managing as much of their telecoms needs as they are pre-

pared to put out of house. In the UK, both Mercury and RT have managed services divisions. Last month, BT named its domestic outsourcing unit "Communications Management", targeted at companies with large and complex private networks, on the day it announced a £5m five-year contract to take over the ownership and manage ment of Thorn EMI's internal UK telephone

network. However, BT's outsourcing strategy does not stop at tha Channel: one of its over-riding ambitions is to become a leading "global outsourcer". It faces stiff competition for the title from American Telephone & Telegraph, the largest US operator. BT and AT&T have latched

on to a demand - part evident. part anticipated - from the world's 2,500-odd multinationals for a "one stop" global provider able to do everything from maintaining private networks to sorting out custome requirements with local telecoms companies in several countries while providing single billing and a single telecoms port of call.

Add into the equation the capacity of the international telecoms operator to provida the latest in network features, billing, servicing and high-speed dsta transmission facilities, and that makes your global outsourcer.

As Mr Vic Pelson, president of AT&Ta communications services group, puts it: "Multinationals want communications services that give them global capabilities. And they want them now." There is nothing new in part-

nerships between telecoms companies to provide international services. So-called "correspondent" arrangements to inter-connect virtual private networks across borders, and to provide services such as abbreviated direct dialling and single billing for traffic carried between two operators, have been in place for years. AT&T's Global Software

Defined Network (GSDN) gives it a correspondent link with 21 other international carriers. including BT; BT's counterpart, FeatureNet, embraces 14 carriers and has more than 100 customers. However, the latest outsourc-

ing vectures by the two compa-

nies - AT&T's Worldsource

launched last month and BTs

Syncordia, started in 1991 - are

far more ambitious. Designed

for multinationals. Initial Worldsource services

available later this year, will includa virtual network services for voice and data communications, upgraded privateline services, frame relay service for high-speed data trans-mission and "one-stop shopfor ping" ordering. maintenance and billing, with bills consolidated in a customer's choice of country and cur-

Although AT&T and BT are marketing similar services. and both are investing heavily in upgrading ovarseas facilities, the strategies of Syncordia and Worldsource are starkly at odds. Syncordia, based in Atlanta, Georgia, was originally intended to be a strategic partnership with Germany's Deutsche Telekom and Japan's Nippon Telegraph and Telephone. But neither proposed link-up came off, with Dentsche Telekom breaking away

and forming a rival enterprise with France Telecom. Syncordia will in due course be subsumed in a new \$1bn joint venture formed with MCI, the second-largest US carrier. The deal with MCI marks the end of BT's "go-it-alone" approach, and its attempt - presently before the Federal Communications Commisator in the US in its own right is appected to be quietly dropped. AT&T, on the other hand, intends vigorously to pursue its application for

Syncordia now has nine takers worth \$200m a year. These include a five-year contract maneging BP's voice, data, video and messaging services among five sites in the UK and Stavanger, Norway; and the communications network of BP Chemicals among 11 sites in seven European countries.

direct access to the UK public

It is hardly taking the international talecoms world by storm - bnt then, says BT, "multinationals cannot be axpected to outsource ovar-By contrast, AT&T's World-

source was launched in Japan with two partners (Kokusai Denshin Denwa of Japan and Singapore Telecom) and the strong likelihood of three others joining soon (United of Canada, Telstra of Australia and Korea Telecom). An entry into Europe is criti-

cal if Worldsource is to succeed. AT&T is budgeting to spend \$350m over the next five years providing facilities and upgrading equipment in Europe. Mr John Foster, director of AT&T's communications services in Europe, professes himself keen to talk to "almost any of Europe's telecoms

"OUTSOURCING" is now all quality of existing services, operators about a link-up, and their aim is to provide a truly expects to launch Worldsource nationals are in the market for

Because Worldsource does not give AT&T exclusive rights over its partners, most of Europe's state telecoms operators appear to have little to lose from participation. Unless, that is, they want to be global outsourcers themselves, and are anxious to give no succour to AT&T.

For companies such as Deutsche Telekom and Telecom France, AT&T's move is a challenge to them to clarify their international strategies and link up with partners. BT has already shown its hand, which could give the US operator problems in the UK. But AT&T is not restricted to BT: Mercurv and Energis are potential

the ontsourcers? At Worldsource's launch, AT&T presented a formidable group, including Unisys. Hooeywell. Motorola and United Parcel Service. Its decision to launch first in Asia-Pacific is significant: the region bas the world's fastest-growing telecoms sector, wide open to outsiders with cash and expertise - and is replete with multinationals demanding better ser-

However, one-stop shops and fancy services alone will not be enough to attract the multinationals. They already have top-notch telecoms managers. The bottom line will be criti-

Andrew Adonis



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Value-added services: The fax market

Falling prices attract new users

oday, the fax machine is as much a part of office life as the old Remington typewriter once was. Prices have fallen fast snd models are available for less than £400. This is starting to attract new users who want a machine at home either because they do some of their work there, or because it is a cheaper and more convenient way of communicating with relatives over-

The Swedish paper and pulp association estimates that fax machines will multiply from 5m worldwide in 1989 to nearly 16m this year and will reach 27m by 1995. A survey published in April by market researchers Gallup and Pitney Bowes Facsimile Systems shows that fax traffic is increasing at an astonishing rate in the UK - a rise of 133 per cent in the number of faxes sent and a 38 per cent rise in the number of documents

received by respondents.

Meredith Flscher of Pitney Bowes says: "At these volumes, companies should be taking control of their fax networks and forming specific policies." She believes there are huge sums to be saved. Companies can save money

 Using plain paper fax machines. These cut costs hecause they don't require expensive thermal paper. Plain paper is almost half the price about 1.6 pence a sheet compared with three pence for

photocopied because they don't fade. Fischer estimates that it costs 60 pence to copy each document including secretarial time and paper. Plain paper fax machines do

cost more to buy - anything between £1,000 and £5,000. But the potential benefits are encouraging a lot of companies to trade up. According to the British Facsimile Industry Concultative Committee (BFICC), about half the fax machines sold in the UK are replacement machinea and most of these are plain paper There are two kinds of plain

paper fax. Those which use ink-bubblejet technology (this gives near-laser-quality output) starting at £1,000 and those which use laser-light-emittingdiode (LED) technology starting at £1,500. The main players in the lnk-huhhlejet market are Canon and Panasonic. But most other suppliers, including Sharp. Panasonic, NEC, Canon Matsushita, Ricoh and Toshiba, sell laser or LED plain-paper mschines. The market is very competitive and prices are likely to fall further. Buying faster machines. Facsimile machines with transmission speeds of up to 14.4 kilohits per second (kbps) are



The BBC employs an Xerox 7033 Lan/fax server in its news do provide considerable savings CCITT standard (MMR) for on telephone charges over standard machines which operate at 9.6 or 7.2 kbps.

Using a 14.4 kbps fax working to the Group 3 industry standard, a short letter will take six seconds to send as opposed to 20 seconds on the average Group 3 fax. The

signals from analogue to digital. However, the CCITT recently ratified a version of the Croup 3 standard - Croup 3 his - which will work over the Integrated Services Digital

Network (ISDN)."

Fax machines which aupport

appear next year. They will be able to send data to similar

machines at 64 kilobits a sec-

example, NEC, the Japanese

ond, cutting transmission costs, or transmit to standard Group 3 faxes at lower speeds.

Using advanced features. Top-of-the-range fax machines compressing data, which takes away all redundant informaoffer a lot of advanced features, many of which can help Routing fax traffic to data lines. Faxes normally send to cut costs. For example, some machines have the ability to information in analogue form send non-urgeot faxes over-(like the human voice). But it

is possible to convert Group 3

night. Of these, a number allow batch transmission of overnight faxes. They group together all faxes going to the same number and send them at the same time.

electronics company and fax This can cut costs substansupplier, sends fax data over tially because the "handshake" its worldwide data network. part of the call, in which a fax There is no incremental cost machine identifies itself to for doing this because the netanother, only needs to be carwork is already in existence. According to Mr Lester ried out once.

Davis, chairman of BFICC and Cutting down on queueing. Many highly paid executives waste valuable time hanging product manager for telecoms products at NEC: "One probem in this area is the lack of around at the fax machine waiting to send messages. Meretandards for converting fax cury has estimated that send ing an average of 6,000 faxes a week will cost a company more than £100,000 a year in staff Waiting time can be reduced

in a number of ways, for exam-ple hy giving users low-cost desk top fax machines or by Group 3 his should start to subscribing to third-party services such as BT's Featurefax or Mercury's Surefax. which re-send faxes or fax many des-

Some high-end fax machines also allow users to scan a document into memory, type in the recipient's fax number, and then leave the machine to do the rest.

Another way of reducing the fax queue is to equip standalone personal computers (PCs) or PC networks with technology which enables them to send documents straight into the fax network.

For example, the BBC's news and current affairs department has installed a Xerox Lan-Fax Express 21 (a combination of hardware and software) to connect all 20 of the department's PC network users to a single fax machine. Thia enables them to create, send, receive and view faxes without having

to leave their desks. There are a host of products for computer-fax ranging from plug-in fax cards (which can be cheaper than fax machines), to fax modems and servers. Some can be used to centralise management of faxes and improve cost control.

For example, Comwave's centralised fax switch will help Lloyds insuranca and reinsurance broker C T Bowring cut fax costs by £500,000 over five

Of course, the fax is not always viewed as an overhead. At "white goods" supplier See

board, field service engineers. have been given NEC briefcase faxes (which plug into portable phones) so that they can order spare parts in front of the customer or get call-out details without going into the office. The company expects increased levels of efficiency

and customer satisfaction. Home users, too, are unlikely to face large fax bills. Their problem may be too few faxes

rather than too many. astman Kor ans to spin the chemical: Mr Davis says the industry is working on standards which will simplify the use of database services for domestic fax users. Before long they could be using their Amstrad faxes to call up information from shopping catalogues or book

One day the home fax could

be as much a part of everyday life as the electric toaster.

Joia Shillingford

Vsat services

VW revives fortunes

GERMAN car manufacturer Volkswagen has revived the fortunes of a satellite-based business communications technology which was in danger of being suffocated by regulatory obstacles before it had even

made its mark in Europe.

Volkswagen has awarded a contract to Scientific Atlanta of the US to install the largest internal satellite communicationa network in Europe. It will eventually connect 6,000 Volkswagen dealers in different countries and is to be used for data communications and business television services.

Signals will be received and transmitted via very small aperture terminals (Vsat) dishes developed in the US that are only a fraction of the size and price of the conventional satellite dish.

Vsat networks the same size as Volkswagen are commonplace in the US, hut in Europe Vsats have been slow to take off. Previously, the largest two-way contract in Europe was a 150-terminal network run by the Italian government's department of aocial security.

There are a number of reasons why Vsats have failed to make their mark in Europe.

First, the services that can be transmitted by Vsat can also be delivered by terrestrial data communications networks. State-owned telephone operators across Europe control this business because they supply the private circuits hich companies need to huild their own private data communications networks. They also operate public data networks.

The public operators have been reluctant to unlock the potential of Vsats which are identified with small private service providers who could even threaten their own busi-

The development of Vsat services has largely been driven by private companies. But they have found the way blocked by the PITs (post, telegraph and telephone companies) who control the sale of satellite capacity - Europe's telephone operators jointly own Eutelsat, the European satellite organisation - and who can resort to a number of tactics to hinder and delay the deployment of

networks. The higgest potential for Vsats lies in the installation of pan-European networks for companies with offices in several different countries.

It can be technically difficult and immensely time-consuming to piece together a pan-European network using leased lines, ao a satellite network, which can be installed in a matter of weeks, provides an attractive alternative.

Volkswagen went for a Vsat

network because it met the German company's requirement better than terrestrial links, according to Mr Klaus Schultz, Volkswagen's director of communications systems.

Availability of leased lines in Europe is poor, be says, and Vsats also give greater flexibility. The company will use Vsats to send information to its dealers and also plans a business television service in the future.

Three other leading European car manufacturers have also been pioneers in the deployment of Vsat networks. Renault of France has a two-way data communications Vsat network for its 140 dealers in eastern Germany.

The network was installed by Teleport Europe, the leading supplier of Vsat systems in Europe. Daimler Benz has linked 20 of its European subsidiarles on a Vsat network supplied by Deutsche Telekom. And last year, BT won a contract from Ford's UK arm to install a one-way Vaat-based television network for several hundred UK dealers.

Car companies are particularly sulted to Vsat satellite systems because they have a

requirement for point-to-multipoint communications. Their central offices need to send and receive data from many outlying sites where their deal-

Campsa, the Spanish chain of petrol stations, is using a Veat network to route informa tion from its main offices to petrol stations up and down the country. Campsa had to bully Spain's semi state-owned telephone operator Telefonica into installing its network. Telefonica is one of the public. operators which have largely ignored the arrival of Vsat systems.

But the success of Vsats in the car industry has not been mirrored in other sectors.

While the unfavourable regu latory environment and the hostility of the public telephone operators have been crucial factors in the slow take-up for Vsats, there has also been a problem persuading businesses that Vsats provide a reliable and cost-effective alternative to terrestrial networks.

"Service providers are affected by the image of the sector as immature, unstable, risky and under-resourced. according to report published by the Cambridge-based telecommunications consultancy Analysys earlier this year.

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It says this perception will change in coming years, but for the moment, "No service

Many of the service providers are names nev to telecoms managers

provider has yet had time to establish a track record that could completely reassure the average corporate telecommun-

ications manager." Many of the service providers are names new to corporate telecommunications managers. Teleport Europe was set up

in 1990 specifically to offer Vsat services, while Scientific Atlanta is an established service provider in the US, but has only started to make an impression in Europe in the past year. Pricing Vsat services has

heen another problem. Few customers will switch from terrestrial solutions to satellite solutions unless there is a cost

Service providers are undercutting public telephone operators for large Vsat networks. but offer only small price savings for smaller systems.

Volkswagen, therefore, was able to achieve a lower price than if it had opted for a terrestrial network. But this will be the first two-way network with more than 1,000 terminals and most networks only have about 50 terminals. Analysya believes that ser-

vice providers will have to drop their prices for these smaller networks if they are to develop their businesse

There has always been an expectation that Vsat services will make the same impact in Europe as in the US where leading corporations such as General Motors, Chevron and Chrysler have Vsat networks covering thousands of sites. There are well over 100,000 one-way and two-way Vsat ter-minals installed in the US. compared to less than 10,000 in

Europe.
But several industry players now say that comparisons are invalid. In the US, the retailing, distribution and financial sectors have been the big sectors for Vsats.

Analysys notes that "the geographical spread of these services in Europe is much more restricted." There are, for example, no European equivalents of nationwide US retailers such as K-Mart.

Patterns of use may, therefore, develop very diffarently in Europe, according to Analy-

Mark Newman

